

CIRCULAR DATED 8 JUNE 2006

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If you are in doubt about its contents or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your ordinary shares of US\$0.02 each ("**Shares**") in the capital of CDW Holding Limited (the "**Company**"), you should forward this Circular, the Notice of Special General Meeting and the enclosed Proxy Form immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



CDW HOLDING LIMITED

(Incorporated in Bermuda)

(Bermuda Company Registration Number: 35127)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TOMOIKE INDUSTRIAL CO., LTD

Financial Adviser to CDW Holding Limited



ERNST & YOUNG CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)

(Company Registration No. 199702967E)

**Independent Financial Adviser to the
Independent Directors**



KPMG CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)

(Company Registration No. 198500417D)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	24 June 2006 at 3.00 pm
Date and time of Special General Meeting	:	26 June 2006 at 3.00 pm
Place of Special General Meeting	:	Carlton Hotel Singapore Level 2, Connaught Room 76 Bras Basah Road Singapore 189558

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DEFINITIONS

The following definitions apply throughout this Circular unless otherwise stated: -

- “Agreement”* : The sale and purchase agreement entered into between the Purchaser and the Vendors on 12 April 2006 in respect of the Proposed Acquisition.
- “Associates”* : (a) In relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have any interest of 30.0% or more; and
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more.
- “Audit Committee”* : The audit committee of the Company which, as at the Latest Practicable Date of this Circular, comprises Mr Ng Wai Kee (Chairman), Mr Wong Yik Chung, John, Mr Wong Chak Weng and Mr Koh Kuek Chiang.
- “Board”* : The board of Directors of the Company.
- “Bye-laws”* : The bye-laws of the Company, as amended, supplemented or modified from time to time.
- “CDP”* : The Central Depository (Pte) Limited.
- “Company” or “CDW”* : CDW Holding Limited.
- “Companies Act”* : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time.
- “Controlling Shareholder”* : A person who:
- (i) holds directly or indirectly 15% or more of the nominal amount of all voting shares in a company; or
- (ii) in fact exercises control over a company.
- “Directors”* : The directors of the Company from time to time.
- “EPS”* : Earnings per Share.
- “EYCF”* : Ernst & Young Corporate Finance Pte Ltd.

<i>“EY Japan”</i>	:	Ernst & Young Shin Nihon.
<i>“First Tranche Completion Date”</i>	:	The date of completion of the sale and purchase of the First Tranche Sale Shares pursuant to the terms of the Agreement.
<i>“First Tranche Consideration Amount”</i>	:	The sum of 642 million JPY being the cash consideration to be paid by the Purchaser to the Vendors in respect of the purchase of the First Tranche Sale Shares.
<i>“First Tranche Sale Shares”</i>	:	60,000 issued shares in Japan Tomoike, representing approximately 51.37% of the issued and paid-up share capital of Japan Tomoike, which are legally and beneficially owned by the Vendors.
<i>“FY”</i>	:	Financial year ended or ending 31 December (as the case may be) unless otherwise specified.
<i>“Group” or “Group Companies”</i>	:	The Company and its subsidiaries.
<i>“Hong Kong Tomoike”</i>	:	Tomoike Industrial (H.K.) Limited.
<i>“Independent Directors”</i>	:	The independent directors of the Company, namely Mr Ng Wai Kee, Mr Wong Chak Weng and Mr Wong Yik Chung, John.
<i>“Independent Shareholders”</i>	:	Shareholders other than Mr Kunikazu Yoshimi, his Associates and his respective nominees.
<i>“Japan Tomoike”</i>	:	Tomoike Industrial Co., Ltd.
<i>“Japan Tomoike Sale Shares”</i>	:	The 116,800 issued shares in Japan Tomoike to be acquired by the Purchaser from the Vendors pursuant to the Agreement.
<i>“JPY”</i>	:	Japanese yen.
<i>“KPMG Corporate Finance”</i>	:	KPMG Corporate Finance Pte Ltd.
<i>“Latest Practicable Date”</i>	:	29 May 2006, being the latest practicable date prior to the printing of this Circular.
<i>“LCD”</i>	:	Liquid crystal display.
<i>“LED”</i>	:	Light emitting diode.
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST.
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities.
<i>“Non-Interested Directors”</i>	:	The Directors who are not deemed to be interested in the Proposed Acquisition, namely Mr Akihiro Kiyota, Mr Lai Shi Hong, Edward, Mr Koh Kuek Chiang, Mr Ng Wai Kee, Mr Wong Chak Weng and Mr Wong Yik Chung, John.
<i>“NPAT”</i>	:	Net profit after tax.

“NTA”	:	Net tangible assets.
“PBT”	:	Profit before tax.
“PDA”	:	Personal Digital Assistant, a handheld computer that serves as an organiser for personal information.
“PER”	:	Price earning ratio.
“Proposed Acquisition”	:	The proposed acquisition of the Japan Tomoike Sale Shares by the Purchaser.
“Purchaser”	:	Hong Kong Tomoike.
“Registered Holder”	:	A person who agrees to become a shareholder of the Company and whose name is entered in the register of members of the Company in accordance with the Companies Act 1981 of Bermuda (as amended) and the Bye-laws.
“Resolutions”	:	The ordinary resolutions relating to the Proposed Acquisition set out on page 64 of this Circular.
“Second Tranche Completion Date”	:	The date of completion of the sale and purchase of the Second Tranche Sale Shares pursuant to the terms of the Agreement.
“Second Tranche Consideration Amount”	:	The consideration to be paid by the Purchaser to Mr Kunikazu Yoshimi in respect of the purchase of the Second Tranche Sale Shares.
“Second Tranche Sale Shares”	:	56,800 issued shares in Japan Tomoike, representing approximately 48.63% of the issued and paid-up share capital of Japan Tomoike, which are legally and beneficially owned by Mr Kunikazu Yoshimi.
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time.
“SGM”	:	The Special General Meeting of the Company to be held on 26 June 2006, notice of which is set out on page 64 of this Circular.
“SGX-ST” or the “Exchange”	:	Singapore Exchange Securities Trading Limited.
“Shareholders”	:	Registered Holders and Depositors whose securities accounts maintained with CDP are credited with the Shares.
“Shares”	:	Ordinary shares of US\$0.02 each in the share capital of the Company.
“SIC”	:	Securities Industry Council.
“Substantial Shareholder”	:	A shareholder who is a beneficial holder of 5% or more of the Shares.

“Vendors”	:	Mr Kunikazu Yoshimi, Mr Koichi Urano, Mr Hiroshi Sayama, Mr Masaaki Suga, Mrs Toyoko Yoshimi and Mrs Aiko Yoshimi.
“HK\$”	:	Hong Kong dollars.
“S\$” and “cents”	:	Singapore dollars and cents respectively.
“US\$” and “US cents”	:	United States dollars and cents respectively.
“%” or “per cent.”	:	Per centum or percentage.

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act, the SFA, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or such modification, as the case may be, unless the context otherwise requires.

Any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, unless otherwise stated.

CDW HOLDING LIMITED

(Incorporated in Bermuda)

(Bermuda Company Registration Number: 35127)

Directors:

Kunikazu Yoshimi
Akihiro Kiyota
Lai Shi Hong, Edward
Koh Kuek Chiang
Ng Wai Kee
Wong Chak Weng
Wong Yik Chung, John

Registered Office:

22 Victoria Street
Canon's Court
Hamilton HM12
Bermuda

LETTER TO SHAREHOLDERS

8 June 2006

To: The Shareholders of CDW Holding Limited

Dear Sir/Madam

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TOMOIKE INDUSTRIAL CO., LTD BY HONG KONG TOMOIKE, A WHOLLY-OWNED SUBSIDIARY OF CDW HOLDING LIMITED

1. INTRODUCTION

On 12 April 2006, the Board announced that the Purchaser, a wholly-owned subsidiary of the Company, had entered into the Agreement pursuant to which the Purchaser agreed to acquire the entire issued and paid-up share capital of Japan Tomoike from the Vendors. Subject to the fulfilment of the terms and conditions of the Agreement, the Purchaser will acquire the Japan Tomoike Sale Shares for a maximum aggregate purchase consideration of 1.4 billion JPY. The Purchaser is a company incorporated in Hong Kong and is principally engaged in the business of trading and manufacturing precision accessories for office equipment and electrical appliances.

Further details on Japan Tomoike are set out in Section 4 on pages 12 to 23 of this Circular.

Mr Kunikazu Yoshimi, the Chief Executive Officer of the Company, is also a Controlling Shareholder and Director of the Company. In addition, Mr Kunikazu Yoshimi, together with his wife, Mrs Toyoko Yoshimi, and mother, Mrs Aiko Yoshimi, hold in aggregate approximately 85% of the entire issued and paid-up share capital of Japan Tomoike as at the Latest Practicable Date. Accordingly, the Proposed Acquisition constitutes an "Interested Person Transaction" within Chapter 9 of the Listing Manual.

The maximum aggregate purchase consideration for the Proposed Acquisition of 1.4 billion JPY (equivalent to approximately US\$11.8 million at the exchange rate of approximately US\$1 : 118.3 JPY as at 11 April 2006), represents an amount equivalent to approximately 25% of the Group's latest audited NTA of approximately US\$47.0 million. As the value of the Proposed Acquisition is approximately 25% of the latest audited NTA of the Group (which exceeds 5% of the latest audited NTA of the Group), it is subject to the approval of the Independent Shareholders at the SGM pursuant to Rule 906 of the Listing Manual.

For the twelve months ended 31 December 2005, the total value of the interested person transactions entered into pursuant to a general mandate from Shareholders obtained on 8 November 2004 ("**Shareholders' Mandate**") and renewed on 28 April 2005 at the Company's

2005 Annual General Meeting is approximately US\$41.3 million. The Shareholders' Mandate was recently renewed on 28 April 2006 at the Company's 2006 Annual General Meeting and for the three-month period ended 31 March 2006, the total value of the interested person transactions entered into pursuant to the Shareholders' Mandate is approximately US\$10.7 million.

Mr Kunikazu Yoshimi is also a shareholder of Japan Tomoike and as such, is deemed to be interested in the Proposed Acquisition. Accordingly, Mr Kunikazu Yoshimi, being interested in the Proposed Acquisition, has abstained and has not participated in the deliberation and approval of the Board in respect of the Proposed Acquisition.

In addition, Mr Kunikazu Yoshimi and his family members are beneficiaries of a fund, Asian Circuit I Toshi Jigyo Kumiai (the "**Fund**"), which is constituted in Japan. The Fund holds the entire issued and paid-up share capital of a Malaysian company, Harmonic Consultants Limited ("**Harmonic**"). Harmonic in turn holds approximately 97% of the entire issued and paid-up share capital of a Taiwan company, J & T Flex Technology Co Ltd ("**J & T**").

J & T undertakes the business of manufacturing flexible printed circuits ("**FPCs**") specifically for the Taiwan market. J & T is a company incorporated in Taiwan. In the first quarter of FY 2006, the Group entered into transactions to purchase FPCs from J & T. The aggregate value of these transactions for the first quarter of FY 2006 amounted to approximately US\$83,000, which represents an amount equivalent to approximately 0.2% of the Group's latest audited NTA of approximately US\$47.0 million. The value of these transactions with J & T has not been aggregated with the value of the Proposed Acquisition for the purpose of this Circular. Prior to the first quarter of FY 2006, the Group had not undertaken any transactions with J & T. Any transactions entered into between the Group and J & T will be conducted in accordance with the procedures adopted by the Group during its initial public offering for interested person transactions. In the event the aggregate value of transactions entered into by the Group with J & T exceeds any of the relative figures prescribed in Chapter 9 of the Listing Manual, the Group will make all necessary announcements and/or obtain Shareholders' approval for such transactions.

EYCF has been appointed as financial adviser to advise the Non-Interested Directors acting on behalf of the Board in relation to the Proposed Acquisition.

KPMG Corporate Finance has been appointed as the independent financial adviser to the Independent Directors to opine on whether the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

The purpose of this Circular is to provide Shareholders with, *inter alia*, information relating to the Proposed Acquisition, to explain the rationale and the financial effects of the Proposed Acquisition on the Company and the Group, and to seek the approval of the Independent Shareholders for the Proposed Acquisition.

2. INFORMATION ON THE PROPOSED ACQUISITION

2.1 Consideration for the Proposed Acquisition

Under the terms of the Agreement, the Purchaser will purchase the Japan Tomoike Sale Shares for a maximum aggregate purchase consideration of 1.4 billion JPY. The purchase consideration for the Proposed Acquisition was determined based on arm's length negotiations on a willing-buyer willing-seller basis, after taking into account the advice of EYCF and the following factors:

- (i) the independent valuation exercise conducted on Japan Tomoike by EY Japan to arrive at the estimated fair market value of the Japan Tomoike Sale Shares;

- (ii) the net income of Japan Tomoike for the financial year ended 31 May 2005 of approximately 261.3 million JPY and the implied PER of 4.78 times of Japan Tomoike based on the First Tranche Consideration Amount of 642 million JPY for the First Tranche Sale Shares;
- (iii) the payment terms extended to the Purchaser to acquire the entire issued and paid-up share capital of Japan Tomoike using the two-tranche payment arrangement, as detailed in Section 2.2(a) of this Circular;
- (iv) the right extended to the Purchaser to elect the payment of the Second Tranche Consideration Amount by procuring the Company to issue Consideration Shares (as defined in Section 2.2(a) of this Circular) to Mr Kunikazu Yoshimi at a premium of approximately 6.1% to the last traded price of the Shares on 11 April 2006, and at a premium of 30.3% to the one month weighted average price of the Shares* prior to the date of the Agreement; and
- (v) the prospects of Japan Tomoike and other relevant factors, which are set out in Section 3 of this Circular.

*(Source : Bloomberg L.P.)

For further details on the independent valuation exercise conducted by EY Japan, please refer to the Valuation Summary in Appendix II of this Circular.

The cash consideration portion of the Proposed Acquisition will be funded from internal resources.

2.2 Principal Terms of the Agreement

(a) Purchase Consideration

The Purchaser will purchase the Japan Tomoike Sale Shares in two tranches for a maximum aggregate consideration of 1.4 billion JPY as follows:

- (i) The First Tranche Sale Shares will be transferred by the Vendors to the Purchaser on the First Tranche Completion Date for the First Tranche Consideration Amount of 642 million JPY; and
- (ii) The Second Tranche Sale Shares will be transferred by Mr Kunikazu Yoshimi to the Purchaser on the Second Tranche Completion Date for the Second Tranche Consideration Amount. The Second Tranche Consideration Amount shall be determined in accordance with the following formulas set out below ("**Formulas**"). The Second Tranche Consideration Amount shall be the lower sum of the amounts derived from the Formulas:

Formula 1:

Second Tranche Consideration Amount = Average of audited NPAT for the financial year of Japan Tomoike ending 31 May 2006 and the financial year of Japan Tomoike ending 31 May 2007 x Adjustment PER x 48.63%

Formula 2:

Second Tranche Consideration Amount = Actual audited NPAT for the financial year of Japan Tomoike ending 31 May 2007 x Adjustment PER x 48.63%

Where:

Adjustment PER = 5;

In the event any of the calculated sums for the Second Tranche Consideration Amount derived from the Formulas results in a negative figure, the Purchaser shall not be required to pay any consideration to Mr Kunikazu Yoshimi for the Second Tranche Sale Shares. The Vendors and the Purchaser have agreed that irrespective of the amount derived from the Formulas, the Second Tranche Consideration Amount shall be subject to a cap of 758 million JPY.

As mentioned above, the Formulas are based on the Adjustment PER of 5 times. In accordance with the Formulas, the Second Tranche Consideration Amount will depend on the NPAT of Japan Tomoike for financial years ending 31 May 2006 and 31 May 2007 while imposing a cap on the maximum consideration payable. In addition, the effects of any exceptional business conditions in either one of the two financial years ending 31 May 2006 and 31 May 2007 will be moderated to an extent via the use of the average NPAT for the two financial years.

The Purchaser has the right to elect payment of the Second Tranche Consideration Amount in the form of cash, or procuring the Company to issue new ordinary shares in the share capital of CDW Holding Limited (“**Consideration Shares**”) at the pre-determined issue price of 26.0 cents (“**Issue Price**”) to Mr Kunikazu Yoshimi, or a combination of cash and procuring the Company to issue Consideration Shares at the Issue Price to Mr Kunikazu Yoshimi. The Consideration Shares will be issued to Mr Kunikazu Yoshimi fully paid, and will rank *pari passu* in all respects with the Shares.

In the event the Purchaser elects to make payment of the Second Tranche Consideration Amount, wholly or partially, by procuring the Company to issue Consideration Shares at the Issue Price to Mr Kunikazu Yoshimi, the applicable S\$: JPY exchange rate on or about the Second Tranche Completion Date will be used for purposes of determining the number of Consideration Shares to be issued to Mr Kunikazu Yoshimi.

For illustrative purposes, based on the maximum Second Tranche Consideration Amount of 758 million JPY and the applicable exchange rate as at 11 April 2006 highlighted in Sections 6.1(xi)(b) and (c) of this Circular, the Consideration Shares, if issued, will amount to 8.1% of the Company’s current issued and paid-up share capital and 7.5% of the Company’s enlarged issued and paid-up share capital.

In view of the above, the actual number of Consideration Shares issued will depend on the applicable exchange rate on or about the Second Tranche Completion Date. As such, the Company will only make an additional listing application to the SGX-ST with respect to the Consideration Shares on or about the Second Tranche Completion Date.

(b) Conditions Precedent to the Proposed Acquisition

The obligations of the parties to the Agreement to complete the Proposed Acquisition are conditional on, *inter alia*:

- (aa) the relevant approval of the Independent Shareholders having been obtained for the Proposed Acquisition at the SGM;

- (bb) Japan Tomoike having obtained in Singapore and/or Japan all other licenses, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary or desirable for or in respect of the proposed purchase of the Japan Tomoike Sale Shares by the Purchaser from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms satisfactory to the Purchaser and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect up to the Second Tranche Completion Date and all conditions attaching thereto required to be complied with being complied with on or before the First Tranche Completion Date and such conditions continuing to be complied with on the Second Tranche Completion Date; and
- (cc) the results of such due diligence investigations and financial audits, including such business, legal, financial and taxation checks, on Japan Tomoike conducted by the Purchaser and its advisors, being satisfactory to the Purchaser in its absolute discretion.

(c) Outstanding Loan Amount Due from Yoshihou Limited Private Company

On 23 June 2003, Japan Tomoike entered into a loan agreement (“**Yoshihou Loan Agreement**”) with Yoshihou Limited Private Company (“**Yoshihou**”)¹. Pursuant to the Yoshihou Loan Agreement, Japan Tomoike lent to Yoshihou a sum of 62 million JPY with interest accruing thereon at an interest rate of 1.5% per annum (“**Outstanding Loan Amount**”).

For the purpose of repaying the Outstanding Loan Amount to Japan Tomoike, Yoshihou entered into a loan agreement (“**New Loan Agreement**”) with Mrs Toyoko Yoshimi on 12 April 2006. Under the New Loan Agreement, Mrs Toyoko Yoshimi will lend an amount equivalent to the Outstanding Loan Amount to Yoshihou. The terms in the New Loan Agreement also provides that Mrs Toyoko Yoshimi shall pay, on Yoshihou’s behalf, the Outstanding Loan Amount to Japan Tomoike within 30 days after approval for the Proposed Acquisition has been obtained from the Shareholders. This payment shall be full and final settlement of the debt owing by Yoshihou to Japan Tomoike under the Yoshihou Loan Agreement.

(d) Governing Law and Jurisdiction

- (aa) The Agreement is governed by Singapore law.
- (bb) The Singapore courts have non-exclusive jurisdiction to settle any dispute arising out of or in connection with the Agreement and the parties submit to the non-exclusive jurisdiction of the Singapore courts.

3. RATIONALE FOR THE PROPOSED ACQUISITION

3.1 Financial Effects

Based on the proforma financial effects, assuming that the Proposed Acquisition had been effected on 1 January 2005, the Proposed Acquisition is expected to be earnings accretive. Further details of the financial effects of the Proposed Acquisition are set out in Section 6 of this Circular.

¹ Yoshihou is a company incorporated in Japan, which is wholly-owned by Mr Kunikazu Yoshimi and run by Mrs Toyoko Yoshimi, Mr Kunikazu Yoshimi’s wife.

3.2 Stronger integration between the Group and Japan Tomoike

Currently, Japan Tomoike and the Group have several on-going business transactions. These are detailed in Sections 3.2.1 to 3.2.4 of this Circular. The Proposed Acquisition will ensure the stronger integration between the businesses of the Group and Japan Tomoike.

3.2.1 Procurement of raw materials and semi-finished goods in Japan

Japan Tomoike supplies raw materials and semi-finished goods to the Group for production of the Group's products. The value of purchases transacted with Japan Tomoike for FY 2003, FY 2004 and FY 2005 are approximately US\$13.6 million, US\$15.9 million and US\$23.9 million respectively, representing approximately 36%, 22% and 28% respectively of the Group's total cost of sales. Purchasing from Japan Tomoike enables the Group to enjoy economies of scale from the bulk discounts given by Japan Tomoike's suppliers and the cost savings arising from bulk purchases and shipments. The Proposed Acquisition will enable the Group to enjoy reliability of supply and quality assurance arising from the established relationships built up by Japan Tomoike with reputable suppliers of the raw materials and semi-finished goods required by the Group over the years. Save for the Company's representative office in Osaka, which was set up in October 2003, the Group does not have a procurement office or presence in Japan.

3.2.2 A network of sales and marketing offices with access to principal operating facilities of customers in Japan

Japan Tomoike is principally engaged in the supply of precision components for mobile communication, consumer, entertainment and information technology equipment ("LCD Products") including LCD backlight units and their related components, and the supply and manufacture of Precision Accessories (as defined in Section 4.1.2 of this Circular). The Group also assembles products for Japan Tomoike. The amounts transacted with Japan Tomoike in respect of the Group's assembly of products for Japan Tomoike were approximately US\$5.2 million, US\$17.2 million and US\$17.4 million for FY 2003, FY 2004 and FY 2005 respectively, which accounted for approximately 10%, 18% and 16% respectively, of the Group's turnover. Japan Tomoike maintains several sales and marketing offices in Japan which are close to the principal operating facilities of customers. The Proposed Acquisition will ensure the Group's continuing sales to Japan Tomoike, thereby allowing the Group to create business turnover for the Group by indirectly serving the customers of Japan Tomoike which are based in Japan. The business of the Japanese customers based in Japan would otherwise be unavailable to the Group because of the geographical distance and the JT Deed of Undertaking, which is elaborated on in Section 3.2.4 of this Circular.

3.2.3 Benefits in terms of costs, geographical reach and technological expertise

In light of the increasing trend towards globalisation, Japanese corporations are locating their production facilities in various locations outside of Japan to leverage on the cost advantages and the existence of technical competencies and infrastructure in these countries. The integration of Japan Tomoike's sourcing capabilities and access to customers in Japan on the one hand, and the Group's production facilities in China and Hong Kong on the other, will result in benefits in serving customers in the global marketplace in terms of costs, geographical reach and technological expertise accruing to the Group and Japan Tomoike.

3.2.4 Interested person transactions and corporate governance

For the purpose of the Company entering into the aforesaid recurrent transactions with Japan Tomoike, the Company had, on 8 November 2004, obtained the Shareholders' Mandate (as defined in Section 1 of this Circular). The Shareholders' Mandate was renewed on 28 April 2006, at the Company's 2006 Annual General Meeting.

Comprehensive procedures (the “**Procedures**”) have also been implemented by the Company to ensure that the purchases of products from Japan Tomoike are undertaken on an arm’s length basis and on normal commercial terms consistent with the Group’s usual business practices and policies, and which are on terms generally no more favourable than those extended to unrelated third parties.

The business of Japan Tomoike are similar to the Group’s business. To address any perceived or actual conflict of interests that could arise as a result of Mr Kunikazu Yoshimi being a Director of the Group and having an equity interest in Japan Tomoike, a deed of undertaking (the “**JT Deed of Undertaking**”) was executed by Japan Tomoike to clearly demarcate the territories in which it could carry on business and to ensure that there would be no overlap between the territories of businesses and operations of the Group and that of Japan Tomoike. In view of the close working relationship between Japan Tomoike and the Group and the integral role which Japan Tomoike performs in the Group’s overall business structure, the Directors believe that the Proposed Acquisition would benefit the Group by streamlining its business operations and reducing the costs of carrying out its business. The Proposed Acquisition will eliminate the need for the renewal of the Shareholders’ Mandate every year and will enable the expanded Group to enjoy the economies of scale through integration of the two businesses which have been in close working relationship.

3.3 Japan Tomoike’s strengths in market information and technical know-how

Japan Tomoike has well-established relationships with reputable suppliers of raw materials and semi-finished goods required for the manufacture of LCD backlight units and other precision components for the production of various LCD Products. Japan Tomoike has been dealing with customers involved in the production of LCD backlight units and other precision components for over 20 years. Japan Tomoike’s knowledge regarding the suitability of raw materials and semi-finished goods for the development of LCD backlight units for LCD Products enables it to be one of the valued business partners of companies in the business of developing and producing LCD Products.

At the same time, serving as an established vendor of the Japanese corporations, Japan Tomoike is able to acquire market trend information in the mobile communication, consumer and information technology equipment industries, which are subject to rapid technological developments, short product life cycles, evolving industry standards and changing consumer preferences. From this vantage point, Japan Tomoike will be able to play a more active role in the transmission of market information and technological know-how to the Group. The Group will in turn provide the bulk manufacturing capabilities to support Japan Tomoike’s customers. Upon completion of the Proposed Acquisition, the business of Japan Tomoike will be part of the Group’s business, thereby enabling the Group to leverage on Japan Tomoike’s expertise in the development of new LCD Products.

4. INFORMATION ON JAPAN TOMOIKE

4.1 General Information and Business Activities

4.1.1 General History

Japan Tomoike was incorporated in Sakai City, Osaka Prefecture, Japan on 26 October 1959 and its current registered office is in the Nara prefecture of Japan. It has a registered paid-up share capital of 60 million JPY consisting of 116,800 shares. Japan Tomoike has branch offices located in Osaka, Nara, Tokyo, Mie and Hiroshima, Japan. Japan Tomoike also operates two factories, in Nara and Mie, Japan, which were established in 2003 and 2004 respectively.

4.1.2 Business Activities

Japan Tomoike is principally engaged in the business of:

- (i) supplying and manufacturing precision accessories (the “**Precision Accessories**”) including insulators, shock absorbers, spacers, reflectors and double-sided tapes for use in office equipment such as printers and copiers as well as for use in other electrical and electronic appliances such as notebooks, LCD TVs and computer monitors; and
- (ii) supplying precision components for LCD Products including, primarily, LCD backlight units and their related components such as diffusers, reflectors and light guide panels for LCD Products. LCD backlight units are optical components used in the manufacture of LCD modules which are now commonly used in different kinds of mobile communication, consumer, entertainment and information technology equipment such as mobile phones, gamebox entertainment equipment, digital cameras and PDAs. In connection with the supply of LCD backlight units for LCD Products, Japan Tomoike will also provide relevant technical input relating to the design and sample development of such products. Additionally, Japan Tomoike also engages in processing (e.g. cutting and pressing) some of the related components.

Approximately 90% of Japan Tomoike’s sales and 80% of its related gross profits are attributable to its business of supplying LCD backlight units and its related components and approximately 10% of Japan Tomoike’s sales and 20% of its gross profits are attributable to its business of supplying and manufacturing Precision Accessories.

Japan Tomoike has well-established working relationships with reputable suppliers (the “**Suppliers**”) of raw materials and semi-finished goods for the manufacture of Precision Accessories. In the past few years, foreseeing a growing market for high quality LCD consumer equipment in Japan and world-wide, Japan Tomoike focused its business on the development of LCD Products. Japan Tomoike has over the years built up the experience and technical know-how to produce LCD backlight units for LCD Products using LED-based technology.

Through its close working relationships with the Suppliers over the years, Japan Tomoike has acquired extensive knowledge regarding the suitability of various raw materials and semi-finished goods for the manufacture of LCD backlight units for small to medium-sized LCD Products. In view of this, many companies which are in the business of developing and manufacturing LCD Products would deal with Japan Tomoike when they require the development and mass production of LCD backlight units for the manufacture of their LCD Products. Japan Tomoike works closely with its customers during the initial design stage of the products and provides relevant technical input relating to the design and sample development of such products.

Upon understanding the customer’s specific requirements, Japan Tomoike will develop a customised LCD backlight unit (the “**Prototype**”) that suits the specifications of the relevant LCD Product. Thereafter, Japan Tomoike will produce small quantities of the Prototype either at its own factories or at its customer’s factories. The Prototypes will be delivered to the customer for their assessment. If the Prototypes meet the customer’s requirements, instructions will be given to Japan Tomoike to manufacture mass production samples. Following the approval of the mass production samples by the customer, purchase orders will be placed with Japan Tomoike or with the Group according to the intended place of delivery.

Japan Tomoike sub-contracts the bulk manufacturing of the LCD backlight units and its related components, and the Precision Accessories to the Group, which will then carry out the bulk manufacturing in its factories located in the People's Republic of China (the "PRC"). Japan Tomoike would source for the raw materials and/or semi-finished goods, which are used in the manufacture of LCD backlight units and/or Precision Accessories, from the Suppliers and on-sell them to the Group for a profit. Japan Tomoike would also provide the required technical know-how and support to the Group with respect to the contracts entered into directly between the Group and its customers in the PRC. Japan Tomoike also carries out some manufacturing of Precision Accessories and processes other related components for LCD Products at its factories in the Japanese prefectures of Mie and Nara.

More information on the business and operations of Japan Tomoike are set out in Appendix V of this Circular.

4.1.3 Major Customers and Suppliers

Customers of Japan Tomoike are large players in the LCD industry and industry leaders in LCD technology development. They constantly seek to develop new and innovative LCD products, and as such work closely with Japan Tomoike to develop LCD backlight units that are suitable for their new LCD Products.

Japan Tomoike sources for raw materials and semi-finished goods for the manufacture of LCD backlight units and their related components and Precision Accessories from reputable suppliers. The main raw materials and semi-finished goods used in Japan Tomoike's business include metal sheets, plastic sheets, plastic frames, rubber, foam sponge sheets, industrial adhesive tape, flexible printed circuits, labels, shock absorbers and insulators.

4.2 Financial information on Japan Tomoike

In Japan, there is no requirement for the financial statements of Japan Tomoike to be audited. However for the purpose of the Proposed Acquisition, Deloitte Touche Tohmatsu ("**Deloitte Japan**") was appointed to perform an audit on Japan Tomoike for the financial years ended 31 May 2004 and 31 May 2005, and the five months ended 31 October 2005 (the "**Audit**"). Deloitte Japan, in their Independent Auditors' Report dated 3 March 2006, stated that they were not able to observe the taking of physical inventories as at 31 May 2003, 31 May 2004 and 31 May 2005 as these were events prior to their appointment as auditors for the purpose of the Audit. As such, Deloitte Japan was unable to verify the raw material inventory quantities as at 31 May 2004 and 31 May 2005 and the entire inventory quantities as at 31 May 2003 which amounted to approximately 51.1 million JPY, 51.1 million JPY and 134.0 million JPY respectively.

As a result, Deloitte Japan is unable to express an opinion on the results for the financial year ended 31 May 2004. In the opinion of Deloitte Japan, except for the effects of such adjustments, if any, as might have been determined to be necessary had they been able to observe the physical inventories as at 31 May 2004 and 31 May 2005, the financial statements present fairly the financial position of the Japan Tomoike as at 31 May 2004, 31 May 2005 and 31 October 2005, and the financial results for the financial year ended 31 May 2005 and the five months ended 31 October 2005 are in conformity with the International Financial Reporting Standards.

The financial results of Japan Tomoike for financial years ended 31 May 2004 and 31 May 2005, and the period ended 31 October 2005 are set out below:-

Financial Results

JPY'000	<—Financial year ended—>		Five months ended
	31 May 2004	31 May 2005	31 October 2005
Revenue	6,835,351	8,052,669	2,779,030
Cost of sales	(5,310,445)	(6,573,257)	(2,231,363)
Gross profit	1,524,906	1,479,412	547,667
Selling and administrative expenses	(999,989)	(1,017,017)	(368,013)
Other income (expense)	(5,248)	(11,572)	1,320
Profit before tax	519,669	450,823	180,974
Income tax	(218,031)	(189,571)	(78,045)
Profit after tax	301,638	261,252	102,929

Financial Position

The financial position of Japan Tomoike as at 31 October 2005 are set out as follows:-

JPY'000	As at 31 October 2005
Non-current assets	
Tangible fixed assets	407,887
Intangible assets	4,230
Investments and other assets	365,592
Total non-current assets	777,709
Current assets	
Cash and cash equivalents	882,671
Pledged deposits	113,540
Accounts receivable – trade	855,676
Notes receivable – trade	153,724
Other receivables	15,224
Prepaid expenses	18,109
Inventories	199,502
Short-term loans	62,000
Deferred tax assets	25,270
Other current assets	22,840
Total current assets	2,348,556
Total assets	3,126,265

JPY'000	As at 31 October 2005
Current liabilities	
Accounts payable – trade	570,814
Notes payable – trade	785,435
Other payables	61,607
Accrued expenses	42,537
Income taxes payable	65,262
Short-term borrowings	363,650
Bonds	60,000
Lease obligations	30,437
Other current liabilities	19,233
Total current liabilities	1,998,975
Long-term liabilities	
Long-term borrowings	38,250
Lease obligations	53,052
Bonds	310,000
Retirement allowance	53,000
Deferred tax liabilities	60,188
Total long-term liabilities	514,490
Total liabilities	2,513,465
Shareholders equity	612,800
NTA	608,570

Cash Flow Statements (Unaudited)

The following table sets out a summary of the cash flows of Japan Tomoike for the financial year ended 31 May 2005 and the five months ended 31 October 2005.

JPY'000	Financial year ended 31 May 2005	Five months ended 31 October 2005
Net cash inflow (outflow) from operating activities	472,570	(76,427)
Net cash inflow (outflow) from investing activities	128,736	(86,719)
Net cash inflow (outflow) from financing activities	355,556	(284,092)
Net increase (decrease) in cash and cash equivalents	956,862	(447,238)
Cash and cash equivalents at the beginning of the financial year/period	373,047	1,329,909
Cash and cash equivalents at the end of the financial year/period	1,329,909	882,671

4.3 Financial Review of Japan Tomoike

4.3.1 Review of Financial Results

The financial year ended 31 May 2004 vs the financial year ended 31 May 2005

Sales increased approximately 18% from approximately 6.8 billion JPY to approximately 8.1 billion JPY due to the growth in Japan Tomoike's business with its major customers with respect to the supply of precision components for LCD Products, in particular the trading of LCD backlight units.

Gross profits decreased approximately 3% from approximately 1.52 billion JPY to approximately 1.48 billion JPY as a result of a declining gross margin with respect to the supply of precision components due to pricing pressures exerted by the customers on the products of Japan Tomoike, especially for LCD backlight units and their related components. During the same period, the gross margin with respect to the supply of Precision Accessories in Japan remained stable.

Net profits declined approximately 13% from approximately 0.30 billion JPY to approximately 0.26 billion JPY due to the declining gross margin, as mentioned above, and the increase in interest expenses from approximately 10.8 million JPY in the financial year ended 31 May 2004 to approximately 18.3 million JPY in the financial year ended 31 May 2005.

Five months ended 31 October 2005

Japan Tomoike experienced a mild slow down in the LCD components business due to the gradual shift of the business of supply of precision components for LCD Products from Japan Tomoike to the Group since July 2005. Further, new projects involving Japan Tomoike were still in the development stage. However, demands for Precision Accessories and raw materials and semi-finished goods for LCD Products remained strong in Japan. Japan Tomoike recorded sales of approximately 2.8 billion JPY during this five-month period. The gross profit margin increased from approximately 18% in the financial year ended 31 May 2005 to approximately 20% for the five-month period ended 31 October 2005. Net profit margins increased from approximately 3% in the financial year ended 31 May 2005 to approximately 4% in the five-month period ended 31 October 2005.

4.3.2 Review of Financial Position

Tangible fixed assets comprise buildings, land, structures, machinery and equipment, vehicles and tools, furniture and fixtures.

Investments and other assets comprise investment in listed securities of approximately 110.2 million JPY, insurance premiums paid of approximately 81.6 million JPY, leveraged lease prepayments of approximately 113.4 million JPY and deposits for property leases of approximately 53.2 million JPY and others. For further details on the leveraged lease arrangement pursuant to which the leveraged lease payments are made ("**Leveraged Lease Arrangement**"), please refer to Section 4.7 of this Circular.

Other receivables of approximately 15.2 million JPY represent interest receivables primarily from the short-term loan of 62 million JPY due from a company owned by a director.

Other payables of approximately 61.6 million JPY comprise mainly reimbursements of various selling and administration expenses such as mobile phone expenses, travelling and stationery. Accrued expenses of approximately 42.5 million JPY represent mainly salary and pensions payable to staff. Included also in accrued expenses are provisions for paid leave. Other current liabilities of approximately 19.2 million JPY represent mainly provision for workers' insurance and GST payable.

Short-term borrowings of approximately 363.7 million JPY comprises mainly bank loans from major banks in Japan which are secured by time deposits and the tangible fixed assets of Japan Tomoike. They bear interest at approximately 0.88% to approximately 1.87% per annum. Japan Tomoike also raises funds from corporate bonds issued by the major banks in Japan. The outstanding balances as at 31 October 2005 is 370 million JPY in which 60 million JPY are repayable within one year. The corporate bonds are unsecured and bear interest at approximately 0.68% to approximately 1.14% per annum. Provision of retirement allowances amounting to 53 million JPY represent retirement benefits payable to the directors and corporate auditors of Japan Tomoike according to the retirement scheme of Japan Tomoike.

As at 31 October 2005, Japan Tomoike had cash and cash equivalents of approximately 882.7 million JPY and pledged deposits of approximately 113.5 million JPY. The total cash and cash equivalents and pledged deposits of approximately 996.2 million JPY exceeded total borrowings (comprising all bank borrowings, finance leases and debt instruments) of approximately 855.4 million JPY by 140.8 million JPY.

4.3.3 Review of Cash Flow Position

Japan Tomoike recorded a net increase in cash and cash equivalents of approximately 956.9 million JPY for the financial year ended 31 May 2005, which was attributable to net cash inflows of approximately 472.6 million JPY, 128.7 million JPY and 355.6 million JPY from operating activities, investing activities and financing activities respectively. Net cash inflow from operating activities was primarily due to the operating income before working capital changes of approximately 532.1 million JPY generated during the year and the net increase of approximately 229.8 million JPY in working capital changes offset by payment of approximately 289.3 million JPY being income tax. Net cash inflow from investing activities was mainly due to the receipt of short-term loan repayments of 73 million JPY during the year. Net cash inflow from financing activities was mainly attributable to the issue of the corporate bond amounting to 400 million JPY to the major banks in Japan during the year.

Japan Tomoike recorded a net decrease in cash and cash equivalents of approximately 447.2 million JPY in the five-month period ended 31 October 2005 attributable to net cash outflows of approximately 76.4 million JPY, 86.7 million JPY and 284.1 million JPY from operating activities, investing activities and financing activities respectively. Net cash outflow from operating activities was primarily due to the payment of the retirement benefits of approximately 397.5 million JPY during the period. Net cash outflow from investing activities was mainly due to the purchase of investment securities of approximately 249.0 million JPY and offset by proceeds from disposal of investment securities of approximately 166.7 million JPY. Net cash outflow from financing activities was mainly due to the repayment of bank borrowings of approximately 406.8 million JPY, offset by proceeds from bank borrowings of 168 million JPY and the repayment of corporate bond of 30 million JPY during the period.

4.3.4 Order Book

As at 30 April 2006, Japan Tomoike had secured orders for the total amount of 1.174 billion JPY which are expected to be delivered to its customers during the period of May 2006 to July 2006.

4.4 Management

4.4.1 Information on the Management

The Management of Japan Tomoike is as follows:

Mr Koichi Urano was appointed as a director of Japan Tomoike on 1 October 2003. He is responsible for the overall strategy, planning and development of Japan Tomoike. Currently, he also holds the position of President of Japan Tomoike. With 12 years of experience and knowledge of the LCD technology, Mr Urano has made considerable contribution towards the development of Japan Tomoike's business in the Japanese and overseas markets.

Mr Hiroshi Sayama was appointed as a director of Japan Tomoike on 31 July 1994. He graduated with a Bachelor of Commerce from the Osaka University of Commerce. Mr Sayama is a key promoter for the continuous innovation of Japan Tomoike's business activities to ensure that the company's business remains viable and profitable. In addition to having 23 years of experience in the business of trading and manufacturing of precision accessories for office equipments, he also possesses the relevant skills and expertise which continues to be important today for the development and expansion of Japan Tomoike's business.

Mr Masaaki Suga has been the internal auditor of Japan Tomoike since 31 July 1994. He is responsible for the management of Japan Tomoike's human resource department and also oversees the management of the company's assets in Japan.

4.4.2 Interest of Mr Hiroshi Sayama in World Wings Corporation Limited.

Mr Hiroshi Sayama, a director of Japan Tomoike, together with his family members, are the controlling shareholders of World Wings Corporation Limited ("**WWCL**"). WWCL is a company incorporated under the laws of Taiwan and is involved in the trading of reflectors, diffusers and other accessories. WWCL carries on its business in Taiwan.

WWCL transacts with the Purchaser by purchasing certain precision accessories such as, polyester film and adhesive tape, from the Purchaser. The value of sales transacted with the Purchaser for the Purchaser's financial year ended 31 December 2005 amounted to approximately HK\$0.9 million, representing approximately 0.14% of the Group's total cost of sales.

Although the business activities of WWCL are similar to the business activities of the Group and Japan Tomoike, there is no overlap between the territories of businesses and operations of the Group and that of WWCL as the Group has no business interest in Taiwan. In addition, the transactions between the Purchaser and WWCL do not constitute interested person transactions within the ambit of Chapter 9 of the Listing Manual. However, for proper governance, upon the completion of the Proposed Acquisition, the Audit Committee will review the terms of the transactions between WWCL and the Purchaser to ensure that all transactions between the two entities will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4.5 Risk Factors

You should carefully evaluate each of the following considerations and all other information set forth in this Circular. Some of the considerations relate principally to the industry in which Japan Tomoike operates and its business in general. Other considerations relate principally to general economic and political conditions. You should also note that certain statements set forth below constitute "forward looking statements" that involve risks and uncertainties.

If any of the following considerations and uncertainties develops into actual events, the business, financial conditions or results of operations of Japan Tomoike could be materially and adversely affected.

4.5.1 Risks relating to the business of Japan Tomoike

4.5.1.1 Dependence on customers' industries and a downturn in these industries may adversely affect revenue and profitability

Japan Tomoike is dependent on the mobile communication equipment, consumer and information technology equipment, office equipment and electrical appliances industries. The aforementioned industries are subject to cyclical changes, rapid technological developments, short product life cycles, evolving industry standards and changing consumer preferences. If the customers of Japan Tomoike in these industries are unable to keep abreast of the technological developments or market sentiments and consequently experience a slowdown due to any of these or other factors, it is likely that their products will become obsolete and accordingly, demand for Japan Tomoike's services and products will decrease significantly. Japan Tomoike is also dependent on the market acceptance and commercial success of its customers' products.

4.5.1.2 Failure to react to rapid technological changes could adversely affect business

The LCD industry is characterised by rapid and significant changes in technology. Japan Tomoike may face competition with respect to LCD technology under development or which may be developed in future. New technology advances to LCD technology could adversely affect Japan Tomoike's business and profitability if it is unable to acquire these new technologies or if it is unable to adopt its business practices accordingly.

Japan Tomoike is also required to keep abreast of the latest technological developments so as to provide technologically advanced and timely services that are cost-effective to its customers. In the event Japan Tomoike is unable to meet the requirements of its customers, its customers' demand for its services will be reduced and consequently its turnover and profitability will also be adversely affected. In particular, Japan Tomoike's future success is also dependent on its ability to respond and adapt to technological developments in the mobile communication equipment, consumer and information technology equipment, office equipment and electrical appliances. Moreover, in the event of a prolonged downturn in such industries, Japan Tomoike's sales and profitability will be materially and adversely affected.

4.5.1.3 Reliance on customers

Japan Tomoike is reliant on its customers. The aggregate percentage of Japan Tomoike's turnover contributed by its top five customers (excluding the Group) for each of the last two financial years was approximately 45% and approximately 56% for the financial years 2004 and 2005 respectively. Japan Tomoike does not have long-term contracts with its customers and there is no assurance that it will continue to retain these customers or that they will maintain or increase their current level of business with Japan Tomoike. In the event of any material delay or a reduction or cancellation of orders from any of its customers, or if Japan Tomoike loses any of its customers, its business, financial condition and result of operations will be adversely affected.

4.5.1.4 Reliance on suppliers

The key raw materials and semi-finished goods purchased by Japan Tomoike, for the purpose of on-selling them to the manufacturers of LCD backlight units and its related components and precision accessories for office and electrical appliances are metal sheets, plastic sheets, plastic frames, rubber, foam sponge sheets, industrial adhesive tape, flexible printed circuits, labels, shock absorbers and insulators. In the financial years 2004 and 2005, purchases from its major suppliers (excluding the Group) accounted for approximately 34% and approximately 19% of its total cost of sales respectively.

Generally, Japan Tomoike does not have long-term contracts with its suppliers. In the event its suppliers are unable to supply the required raw materials and semi-finished goods on time and Japan Tomoike is unable to source these raw materials and semi-finished goods from alternative suppliers on a timely basis, delivery by Japan Tomoike to its customers would be delayed. This may adversely affect Japan Tomoike's revenue and profitability. This is especially so since Japan Tomoike's suppliers are familiar with its quality requirements for the raw materials and semi-finished goods purchased. New suppliers may be unable to achieve the same quality requirements. While Japan Tomoike may be able to purchase the raw materials and semi-finished goods from alternative suppliers, the loss of its existing suppliers without suitable and timely replacements may lead to an increase in the costs of its purchases. Consequently, the profitability of Japan Tomoike may be affected.

4.5.1.5 Possible inability to retain current relationships with Japan Tomoike's customers and suppliers

Japan Tomoike currently has established relationships with its customers and suppliers. It is exposed to the risk of losing the relationships with any one of these customers and suppliers. There is no assurance that these customers and suppliers will not terminate their relationship with Japan Tomoike. If they do so, the business, results of operation and financial condition of Japan Tomoike could be materially affected. As these relationships are non-exclusive and largely dependent on goodwill, such customers and suppliers are free to enter into similar or more favourable relationships with other parties. Most of the agreements underlying these relationships are informal and general in nature and do not legally bind the parties. In the event that any of these relationships are terminated, Japan Tomoike's performance may be adversely affected.

4.5.1.6 Subject to increases in prices of and shortages in the supply of raw materials and semi-finished goods

The key raw materials and semi-finished goods used in Japan Tomoike's business are vulnerable to fluctuations in the prices of these raw materials and semi-finished goods. Any significant increase in the prices of these raw materials and semi-finished goods which cannot be passed on to its customers by way of a price increase will adversely affect its financial performance and hence its profitability.

4.5.1.7 Subject to intense competition

Japan Tomoike operates in a highly competitive industry. There is no assurance that Japan Tomoike will be able to continue competing successfully with its competitors. As many of its competitors are large players in the industry, they may have resources to reduce their cost of carrying out its business to match any price decline in Japan Tomoike's products or services. Accordingly, the sales and profitability of Japan Tomoike will be adversely and materially affected if it is not able to compete effectively.

4.5.1.8 Exposure to product liability actions and other claims

Japan Tomoike may be liable for claims from its customers and/or their end users if its products or services are found to be unfit for their intended purposes or contain defects. In the event Japan Tomoike is found liable for such claims, its business and financial condition would be materially and adversely affected. Japan Tomoike's business and financial position will also be affected if it has to spend a significant amount of resources to defend itself in the event legal proceedings are instituted against it. In addition, its reputation will be adversely affected. Japan Tomoike may also face claims if it is unable to meet its customers' delivery schedules.

4.5.1.9 Japan Tomoike's business is subject to certain Japanese laws and regulations

Japan Tomoike's business is subject to certain Japanese laws and regulations. The relevant authorities may terminate, withdraw or suspend in whole or in part or otherwise restrict any of Japan Tomoike's business, or impose penalties on Japan Tomoike if there is any breach or non-compliance of these Japanese laws and regulations. In particular, any suspension or withdrawal of the Japan Tomoike's production licence would materially and adversely impact its business and profitability.

4.6 Pending litigation between Kyowa Co. and Japan Tomoike

In December 2004, a litigation suit was filed by Kyowa Co. against Japan Tomoike in the Nara District Court asserting the wrongful default of a land sales contract (the "**Suit**"). The amount claimed under the Suit is 2,549,340 JPY and interest thereon.

In view of the above, the Purchaser has obtained an indemnity from the Vendors against any losses arising from the Suit.

4.7 Investment of funds in a Leveraged Lease Arrangement

On 30 January 2004, Japan Tomoike invested 106.6 billion JPY of funds in airplane lease operations ("**Leveraged Lease Arrangement**") managed by NBBKite Co., Ltd. ("**NBBK**"). The airplane purchased by NBBK with borrowed funds and funds provided by investors, including Japan Tomoike, is expected to be sold after the lease term of the airplane ends on 30 April 2010. NBBK is expected to return the funds invested by Japan Tomoike together with its share of any profits from the lease and sale of the airplane or net of losses incurred by NBBK from the lease and sale of the airplane.

The investment of funds with NBBK is classified under "Investment and Other Assets" in the balance sheet of Japan Tomoike for the financial year ended 31 May 2004, the financial year ended 31 May 2005 and the five-month period ended 31 October 2005. It is the intention of Japan Tomoike to hold this investment to maturity. Under International Accounting Standard IAS 39 (Financial Instruments : Recognition and Measurement) the investment is initially recognised at cost and subsequently re-measured at amortised cost which means that income is recognised and the corresponding amount is added to the carrying value of the investment so as to accrete the value of the investment to the expected net realisable value of the investment upon its maturity. The amount to be accreted each year is calculated at the same effective interest rate. The effective interest rate is the rate that exactly discounts estimated future net cash receipts from the investment through the expected life of the investment to the net carrying amount of the investment. Due to reduction in the estimated resale value of the airplane, an impairment loss of 2.5 million JPY was recorded by Japan Tomoike in the financial year ended 31 May 2004 and since then, the investment has been carried at the impaired cost with no revenue recorded in the financial year ended 31 May 2005 and the 5 months ended 31 October 2005.

For tax purposes, Japan Tomoike's share of NBBK operating results is included in its own results. Due to accelerated tax depreciation of the airplane in the initial years, tax losses are incurred by NBBK and a share of such tax losses can similarly be claimed by Japan Tomoike for tax purposes. Such upfront tax benefits reverse in subsequent years with lower tax depreciation. Accordingly, deferred tax liability is set up by Japan Tomoike in line with International Financial Reporting Standards.

Leveraged lease arrangements of this nature have been widely accepted as a financial investment product in Japan, enabling investors both to expect net income from their investment, and to benefit from a tax deferral effect due to the offsetting of losses incurred in the early investment years against their other income. Tax authorities in Japan have however taken a restrictive stance towards such leveraged lease arrangements and have sought to implement reforms of Japanese tax laws to counteract the effect of leveraged lease products, which allow investors to defer tax.

Recently, tax reforms were passed in Japan in 2005 ("**2005 Tax Reforms**") for the purpose of restricting the use of such leveraged lease arrangements to defer tax payable. Prior to the passing of the 2005 Tax Reforms, Japanese tax legislation is silent with respect to such leveraged lease arrangements, and there have been no known cases that have been decided on and made public concerning the tax treatment of the same. As a result, there is uncertainty as to whether the Japanese tax authorities would subsequently impose additional tax on Japan Tomoike on the basis that such leveraged lease arrangements are ineffective and Japan Tomoike cannot offset the losses derived from the Leveraged Lease Arrangement against its other income.

In view of the above, the Purchaser has obtained an indemnity ("**Indemnity**") from the Vendors against any losses including penalties which could result from Japan Tomoike's investment of funds with NBBK ("**Investment**"). In addition, the Indemnity provides for the Purchaser to claim against the Vendors for any impairment allowance or loss which is incurred by Japan Tomoike with respect to the Leveraged Lease Arrangement. Under the Indemnity, upon the issuance of the audited accounts of Japan Tomoike prepared in accordance with the International Financial Reporting Standards ("**Audited Accounts**") in respect of each of its financial year prior to the liquidation of the Investment, the Purchaser shall send a copy of the Audited Accounts and a written notice ("**Annual Notice**") to the Vendors setting out the impairment allowance or loss incurred by Japan Tomoike with respect to the Leveraged Lease Arrangement. The amount stated in the Audited Accounts and the Annual Notice as the impairment allowance or loss incurred by Japan Tomoike shall be final and binding on the Vendors. Upon the liquidation of the Investment, the Purchaser shall send a notice ("**Indemnification Notice**") to the Vendors stating the aggregate loss incurred by Japan Tomoike with respect to the Leveraged Lease Arrangement ("**Aggregate Loss**"). Upon receipt of the Indemnification Notice, the Vendors shall make payment of the Aggregate Loss to the Purchaser.

4.8 Additional Information on Japan Tomoike

Additional information on Japan Tomoike is set out in Appendix V on page 63 of this Circular.

5. PROSPECTS AND FUTURE PLANS

It is envisaged that Japan Tomoike's future growth in the LCD backlight units market in Japan will increase in line with new business and product developments of its major customers. New projects which would contribute to Japan Tomoike's business in the near future include the supply of specific backlight components for LCD televisions, large-sized LCD panels and high definition LCD panels, as well as the development of LCD backlight units using LED-based technology for medium to large-sized LCD panels. In May 2006, Japan Tomoike began supplying components of LCD backlight units manufactured using cold cathode fluorescent lamps ("**CCFLs**") for LCD television sets to one of its customers in Japan.

While Japan Tomoike is supplying components of LCD backlight units manufactured using CCFLs to customers, Japan Tomoike is concurrently enhancing its LED-based technology capabilities as it is of the view that LED-based technology will eventually outpace LCD backlight units manufactured using CCFLs as LED-based technology is more environmentally friendly. Manufacturers of large-sized LCD panels in Japan would commonly source for components and conduct their manufacturing in Japan. As Japan Tomoike intends to supply precision components to such manufacturers of large-sized LCD panels in Japan, it is envisaged that in time, bulk manufacturing of such precision components may also be done by the Group.

The increase in the Group's manufacturing business with respect to LCD Products, especially high-end LCD Products, is also expected to benefit Japan Tomoike as the Group purchases precision components for LCD Products from Japan Tomoike.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The details of the proforma financial effects of the Proposed Acquisition on the Group for FY 2005 are set out below. The proforma financial effects of the Proposed Acquisition are for illustration purposes only and do not reflect the actual future financial situation of the enlarged Group after the completion of the Proposed Acquisition. The proforma financial effects of the Proposed Acquisition are based on the audited consolidated financial statements of the Group for FY 2005 and the audited financial statement of Japan Tomoike for the financial year ended 31 May 2005.

6.1 Bases and assumptions used in compiling the illustrative effect of the Proposed Acquisition on the EPS, NTA and Gearing of the Group

The effects of the Proposed Acquisition have been prepared on the following bases and assumptions:

- (i) In respect of Japan Tomoike, the balance sheet for the latest financial year ended 31 May 2005 and the operating results for the 12 months ended 31 May 2005 are used to combine with the consolidated balance sheet of the Group as at 31 December 2005 and the consolidated operating results of the Group for the 12 months ended 31 December 2005 respectively.

This is for illustrative purposes only, using the latest audited financial statements for the latest completed financial year ends of each of Japan Tomoike and the Group.

An actual consolidation performed under International Financial Reporting Standards IFRS 3 (Business Combinations) ("IFRS 3") requires the balance sheets and the profit and loss statements of the Group and Japan Tomoike to be consolidated with coterminous dates. It also requires the cost of the Proposed Acquisition to be measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of Japan Tomoike, plus any costs directly attributable to the business combination.

Japan Tomoike's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are to be recognised at their fair values at the First Tranche Completion Date and the Second Tranche Completion Date respectively. Goodwill arising on the First Tranche Completion Date and the Second Tranche Completion Date respectively will be recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities (if any) recognised.

The interest of minority shareholders in Japan Tomoike will be initially measured at the minority shareholder's proportion of the net fair value of the assets, liabilities and contingent liabilities (if any) of Japan Tomoike recognised.

As a result, on the First Tranche Completion Date and Second Tranche Completion Date, the effects of the Proposed Acquisition based on actual financial data on the First Tranche Completion Date and Second Tranche Completion Date would differ from the illustrative effects set out in Section 6.2 of this Circular.

In the event that the Company pays for the Second Tranche Consideration Amount (as determined in accordance with Section 2.2(a)(ii) of this Circular) through the issue of Consideration Shares to Mr Kunikazu Yoshimi, the amount to be capitalised as share capital will depend on the fair value of the Consideration Shares as at the date of issue and not the Issue Price ascribed to the Consideration Shares under the terms of the Proposed Acquisition. The Issue Price ascribed to the Consideration Shares under the Agreement will only be used to determine the number of Consideration Shares to be issued by the Company in the event the Group decides to pay, partially or wholly, the Second Tranche Consideration Amount through the issue of Consideration Shares to Mr Kunikazu Yoshimi.

- (ii) In the calculation of EPS, for illustrative purposes, it is assumed that the Proposed Acquisition had been effected on 1 January 2005.
- (iii) In the calculation of NTA and gearing ratio, for illustrative purposes, it is assumed that the Proposed Acquisition has been effected on 31 December 2005.
- (iv) The Proposed Acquisition is to be effected in two tranches with the second tranche effected only after Japan Tomoike's audited NPAT for the financial year ended 31 May 2007 is determined, as set out in Section 2.2(a)(ii) of this Circular. Accordingly, the Group will take into account the impact of the acquisition of the First Tranche Sale Shares, representing approximately 51.37% of the equity interest in Japan Tomoike, in the first financial year when the Proposed Acquisition is made. This is anticipated to be in FY 2006. The proposed acquisition of the Second Tranche Sale Shares, representing approximately 48.63% of the equity interest in Japan Tomoike, is anticipated to have an impact on the Group's financial statements no earlier than FY 2007.

For illustrative purposes, the financial data in Section 6.2 of this Circular has been presented as follows:

- (a) Scenario A: Partial acquisition of approximately 51.37% of the equity interest of Japan Tomoike with 48.63% of the fair values of net assets and NPAT of Japan Tomoike deducted as minority interests and not attributable to equity holders of the Group; and
- (b) Scenario B: Acquisition of 100% of the equity interest of Japan Tomoike and all fair values of net assets and NPAT of Japan Tomoike are attributable to equity holders of the Group.

The consideration for the First Tranche Sale Shares is 642 million JPY, payable in cash. The consideration for the Second Tranche Sale Shares is determined by the formulas set out in Section 2.2(a)(ii) of this Circular and is payable at the option of the Group in the form of cash or Consideration Shares to be issued by the Company to Mr Kunikazu Yoshimi or a combination of cash and Consideration Shares to be issued by the Company to Mr Kunikazu Yoshimi.

- (v) In respect of Scenario B, the illustrative data presented in the table set out in Section 6.2 of this Circular provide the financial effects on the assumption that the Second Tranche Consideration Amount is :
- (a) fully paid in cash; and
 - (b) fully paid by the issuance of Consideration Shares.
- (vi) The consideration for the Second Tranche Sale Shares is subject to change as set forth in Section 2.2(a)(ii) of this Circular but is subject to a cap of 758 million JPY. This maximum Second Tranche Consideration Amount is used to illustrate the financial impact of the Proposed Acquisition in Section 6.2 of this Circular.
- (vii) The financial data used in the following tables set out in Section 6.2 of this Circular have been obtained from the following sources:
- (a) the audited consolidated financial statements of the Group for FY 2005;
 - (b) the audited financial statements of Japan Tomoike for its financial year ended 31 May 2005 and the five months ended 31 October 2005, both of which have been adjusted to align the balance sheets and operating results with International Financial Reporting Standards (subject to the qualifications stated in Section 4.2 of this Circular); and
 - (c) a valuation report on the land, office and factory building at Mie Prefecture Japan (“**Properties**”) owned by Japan Tomoike issued by K.K. Tenmabashi Evaluation Office, a professional valuer engaged by EY Japan. This report issued as of 16 November 2005 indicates that the aggregate market value of the Properties amount to 212.2 million JPY. This is approximately 79.2 million JPY below the net book value of the Properties of approximately 291.4 million JPY determined based on historical cost less accumulated depreciation.
- (viii) The NTA of Japan Tomoike used in illustrating the financial effects of the Proposed Acquisition in Section 6.2 of this Circular has been adjusted as follows:

	At 31 May 2005 US\$'000
Total tangible and intangible assets at 31 May 2005 based on the historical cost convention	33,787
Less valuation loss on Properties	(734)
Less intangible assets	(42)
Total tangible assets after adjustment	33,011
Net tangible assets after adjustment	3,972

- (ix) It is assumed that components of cost connected with the Proposed Acquisition, estimated by the Directors at approximately US\$1 million, are directly attributable to the Proposed Acquisition and will be added to the cost of investment with no consequential impact on operating results.
- (x) No adjustment has been made in the proforma combination of profits of the Group and Japan Tomoike for the unrealised profits relating to sales of inventories by the Group to Japan Tomoike which have yet to be sold by Japan Tomoike to third parties as at the year-end; as well as unrealised profits for sales of inventories to the Group by Japan Tomoike which have yet to be sold by the Group to third parties as at the year-end. This is because the effect of deduction of such unrealised profits is expected to be mitigated by the effect of adding unrealised profits at the end of the preceding year which are realised in the following year. The net impact of these adjustments is not expected to be material for the purpose of illustrating the effect of the Proposed Acquisition on the EPS.
- (xi) The exchange rates used for the translation of the financial statements of Japan Tomoike, the cash consideration and the Issue Price of the Consideration Shares are set out below:
 - (a) Translation of the financial statements of Japan Tomoike, which are presented in JPY, to US dollars:
 - (i) for the translation of NTA of Japan Tomoike as at 31 May 2005, the exchange rate of US\$1 : 107.9 JPY, which is the approximate exchange rate prevailing on that date, is used; and
 - (ii) for the translation of NPAT of Japan Tomoike for the year ended 31 May 2005, the exchange rate of US\$1 : 107 JPY, which is the approximate average exchange rate for the twelve months ended 31 May 2005, is used.
 - (b) Translation of the cash consideration payable for both the First Tranche Consideration Amount and the Second Tranche Consideration Amount:
 - (i) for the translation of the First Tranche Consideration Amount, the exchange rate of US\$1: 117.9 JPY, prevailing at 31 December 2005, is used; and
 - (ii) for the translation of the Second Tranche Consideration Amount, the exchange rate of US\$1 : 118.3 JPY as at 11 April 2006 is used.
 - (c) For the translation of the Singapore dollar denominated Issue Price of the Consideration Shares to US dollars, the exchange rate of US\$1 : S\$1.6065, which is the exchange rate as at 11 April 2006 is used.

6.2 Illustrative effects of the Proposed Acquisition on the EPS, NTA and Gearing of the Group

The following illustrative financial effects of the Proposed Acquisition should be read in the context of the assumptions and bases set out in Section 6.1 of this Circular above.

Scenario A (Acquisition of approximately 51.37% of the equity interest of Japan Tomoike)

	Before acquisition of 51.37% of Japan Tomoike	After acquisition of 51.37% of Japan Tomoike
Earnings		
Consolidated profit after taxation and minority interests (US\$'000)	8,942	10,196
Basic EPS (US cents) based on weighted average number of 482,214,000 Shares ⁽²⁾ in issue during 2005 ⁽¹⁾	1.85	2.11
Net tangible assets		
NTA (US\$'000)	46,965	42,560
Number of Shares	488,000,000	488,000,000
NTA per Share (US cents)	9.62	8.72
Gearing		
Total borrowings (US\$'000)	3,276	13,772
Shareholders' funds (US\$'000)	46,965	46,965
Gearing ratio (times) ⁽⁴⁾	0.07	0.29

Scenario B (Acquisition of 100% of the equity interest of Japan Tomoike)

		After acquisition of 100% of Japan Tomoike	
		Before acquisition of 100% of Japan Tomoike	Second Tranche Consideration Amount settled in cash
Earnings			
Consolidated profit after taxation and minority interests (US\$'000)	8,942	11,383	11,383
Basic EPS (US cents) ⁽¹⁾	1.85	2.36	2.18
Net tangible assets			
NTA (US\$'000)	46,965	38,085	44,492
Number of Shares ⁽²⁾	488,000,000	488,000,000	527,591,000
NTA per Share (US cents)	9.62	7.80	8.43

		After acquisition of 100% of Japan Tomoike	
	Before acquisition of 100% of Japan Tomoike	Second Tranche Consideration Amount settled in cash	Second Tranche Consideration Amount settled by issuance of the Consideration Shares
Gearing			
Total borrowings (US\$'000) ⁽³⁾	3,276	13,772	13,772
Shareholders' funds (US\$'000)	46,965	46,965	53,373
Gearing ratio (times) ⁽⁴⁾	0.07	0.29	0.26

Notes:

- (1) There is no diluted EPS as the average market price of the Shares during the period from 12 September 2005, which is the date on which the Company issued 18,056,000 options over Shares ("**Options**"), to 31 December 2005, is below the exercise price of the Options.
- (2) The number of Shares has been rounded to the nearest thousand.
- (3) As at 31 December 2005, the Group had cash and cash equivalents and pledged cash deposits amounting to US\$24.0 million. As at 31 May 2005, Japan Tomoike had cash and cash equivalents and pledged cash deposits of US\$ 13.4 million. Based on the combined balance sheets of the Group as at 31 December 2005 and of Japan Tomoike as at 31 May 2005, the total cash and cash equivalents and pledged deposits exceeded total borrowings of US\$13.8 million by US\$ 23.6 million.
- (4) Gearing ratio is expressed as the ratio of total borrowings to shareholders' equity for the Group. Total borrowings comprise all bank borrowings, finance leases and debt instruments.

7. EFFECTS OF THE PROPOSED ACQUISITION ON THE COMPANY'S DIVIDEND POLICY

Subject to the factors stated in this Section 7, the Company intends to maintain its FY 2005 dividend policy of recommending and distributing approximately 40% of the Group's net profit attributable to Shareholders as dividends in each FY ("**Dividend Policy**"). Following the Proposed Acquisition, the Company intends to continue with the Dividend Policy.

The Dividend Policy is subject to any circumstances that may reduce the amount of the Company's revenue reserve available to pay dividends or which might result in any negative impact on the business of the Group.

In determining the eventual level of dividend payment to be made to Shareholders in any one FY, if any, the Company intends to take into account various factors, including:

- the level of the Group's cash and retained earnings;
- the Group's actual and projected financial performance;
- the Group's projected levels of capital expenditure and other investment plans;
- the dividend yield of similar-sized companies with similar growth listed on the SGX-ST; and
- restrictions on payment of dividends imposed on the Group by its financing arrangements (if any).

The Proposed Acquisition is not expected to affect the Company's Dividend Policy.

8. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

The details of the Directors' and Substantial Shareholders' interests in Japan Tomoike as at the Latest Practicable Date are as follows:

	Direct	%	Deemed*	%
Directors				
Kunikazu Yoshimi	76,800	65.8	98,800	84.6

* Mr Kunikazu Yoshimi's deemed interest arises from the 20,000 Shares held by Mrs Toyoko Yoshimi, Mr Kunikazu Yoshimi's wife, and from the 2,000 Shares held by Mrs Aiko Yoshimi, Mr Kunikazu Yoshimi's mother.

Mr Kunikazu Yoshimi will abstain, and has undertaken to ensure that his Associates will abstain, from voting in respect of their respective shareholdings in the Company and will not accept nominations as proxy or otherwise for voting at the SGM to approve the Proposed Acquisition.

Save as disclosed above and in this Circular, other than Mr Kunikazu Yoshimi, the Directors and Substantial Shareholders do not have any interest, whether direct or indirect, in the Proposed Acquisition.

9. ADVICE OF KPMG CORPORATE FINANCE TO THE INDEPENDENT DIRECTORS

KPMG Corporate Finance has been appointed as the independent financial adviser to the Independent Directors to opine on whether the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders. A copy of the letter from KPMG Corporate Finance to the Independent Directors, containing its advice and recommendations in full, is set out in Appendix I on pages 34 to 53 of this Circular. **Independent Shareholders are advised to read the letter from KPMG Corporate Finance carefully.**

After carefully considering the information available to KPMG Corporate Finance as of, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date and based on our considerations above, KPMG Corporate Finance is of the opinion that the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

Accordingly, KPMG Corporate Finance has advised the Independent Directors to recommend that the Independent Shareholders vote in favour of the Proposed Acquisition at the SGM.

In rendering the above opinion, KPMG Corporate Finance has not taken into consideration the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Independent Shareholder. Accordingly, any individual Independent Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

10. RECOMMENDATION BY THE DIRECTORS

The Directors (other than Mr Kunikazu Yoshimi), having reviewed, *inter alia*, the terms and rationale for the Proposed Acquisition, the financial effects of the Proposed Acquisition, the advice of EYCF, and having taken into consideration the advice and recommendations of KPMG Corporate Finance as set out in its letter dated 8 June 2006, recommend that Independent Shareholders vote in favour of the Proposed Acquisition at the SGM.

11. AUDIT COMMITTEE'S STATEMENT ON THE PROPOSED ACQUISITION

The Audit Committee of the Company, having reviewed, *inter alia*, the terms, rationale and benefits of the Proposed Acquisition and the financial effects of the Proposed Acquisition, is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Group and the Independent Shareholders.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Depositor whose name appears in the Depository Register holding Shares through the CDP wishes:

- (a) to attend and vote at the SGM, he/she/it should complete the Proxy Form accompanying this Circular appointing himself/herself/itself as proxy; or
- (b) to appoint a proxy/proxies who shall be natural persons to attend and vote in his, her or its place as proxy/proxies for CDP, he/she/it should complete the Proxy Form to appoint such proxy/proxies,

in accordance with the instructions printed thereon and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd., at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315, at least 48 hours before the time of the SGM.

If a Registered Holder wishes to appoint a proxy/proxies, then the Proxy Form accompanying this Circular must be completed in accordance with the instructions printed thereon and deposited at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd., at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315, at least 48 hours before the time of the SGM.

13. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on page 64 of this Circular, will be held on 26 June 2006 at 3.00 pm at Carlton Hotel Singapore, Level 2, Connaught Room, 76 Bras Basah Road, Singapore 189558, for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions set out in the notice of the SGM.

14. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution in respect of any interested person transactions. Accordingly, Mr Kunikazu Yoshimi and his associates will abstain, and has undertaken to ensure that their respective Associates will abstain, from voting at the SGM in respect of the Shares held by them respectively in respect of the ordinary resolutions set out in the Notice of SGM on page 64 of this Circular.

15. ADDITIONAL INFORMATION

The attention of Shareholders is drawn to the additional information set out in Appendix IV to this Circular.

16. CONSENTS

Deloitte Japan has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto in the form and context in which they appear in this Circular.

EYCF has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto in the form and context in which they appear in this Circular.

KPMG Corporate Finance has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, a copy of the letter from KPMG Corporate Finance to the Independent Directors of CDW Holding Limited attached hereto as Appendix I, and all references thereto in the form and context in which they appear in this Circular.

EY Japan has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the Valuation Summary attached hereto as Appendix II, and all references thereto in the form and context in which they appear in this Circular.

K.K. Tenmabashi Evaluation Office has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the Valuation Certificate attached hereto as Appendix III, and all references thereto in the form and context in which they appear in this Circular.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement disclosed in this Circular misleading.

The Directors confirm that this Circular includes all information which is known to the Company or any Director that is material to Shareholders in deciding whether it is in the interest of the Company to approve the Proposed Acquisition. Such information includes, from an economic and commercial point of view, the true potential costs and detriments of, or resulting from, the Proposed Acquisition.

18. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

EYCF acknowledges that, based on the information provided by the Company, to the best of its knowledge and belief, and after having made all reasonable enquiries, the information in this Circular is fair and accurate in all material respects as at the Latest Practicable Date and there are no material facts the omission of which would make any statement in this Circular misleading.

19. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Singapore Share Transfer Agent of the Company, Lim Associates (Pte) Ltd., at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315, during normal business hours from the date of this Circular up to and including the date of the SGM:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the constitutional documents of Japan Tomoike;
- (c) the Agreement;

- (d) the annual reports of the Group for FY 2004 and FY 2005;
- (e) the audited financial statements of Japan Tomoike for the financial years ended 31 May 2004 and 31 May 2005 and the five-month period ended 31 October 2005;
- (f) the valuation report prepared by EY Japan dated 10 April 2006; and
- (g) the letters of consent referred to in Section 16 of this Circular above.

Yours faithfully

Lai Shi Hong, Edward
Executive Director
for and on behalf of the Board of Directors of
CDW HOLDING LIMITED

**LETTER FROM KPMG CORPORATE FINANCE PTE LTD TO THE
INDEPENDENT DIRECTORS OF CDW HOLDING LIMITED**

The Independent Directors
CDW Holding Limited
22 Victoria Street
Canon's Court
Hamilton HM12
Bermuda

8 June 2006

Dear Sirs,

**INTERESTED PERSON TRANSACTION TO BE ENTERED INTO BY CDW HOLDING LIMITED IN
CONNECTION WITH THE PROPOSED ACQUISITION**

For the purpose of this letter, terms not otherwise defined herein shall have the same meaning given as in the circular dated 8 June 2006 to the shareholders of CDW Holding Limited (the "Circular").

1. INTRODUCTION

This letter has been prepared for inclusion in the Circular to be issued by CDW Holding Limited ("CDW" or the "Company") to the Shareholders of the Company in connection with the proposed acquisition (the "Proposed Acquisition") of Tomoike Industrial Co., Ltd ("Japan Tomoike", or the "Target") from the Vendors by Hong Kong Tomoike (the "Purchaser"), a wholly-owned subsidiary of the Company.

As at the Latest Practicable Date, Mr Kunikazu Yoshimi ("Mr Yoshimi"), the Chairman and Chief Executive Officer of the Company, is a Controlling Shareholder of the Company. In addition, Mr Kunikazu Yoshimi, together with his wife, Mrs Toyoko Yoshimi, and mother, Mrs Aiko Yoshimi, hold in aggregate approximately 85% of the entire issued and paid-up share capital of Japan Tomoike. In accordance with Chapter 9 of the Listing Manual, Mr Yoshimi, his wife and his mother, being part of the Vendors, are considered to be interested persons ("Interested Persons" and each an "Interested Person"). Accordingly, the Proposed Acquisition from the Vendors will be an interested person transaction ("Interested Person Transaction" or "IPT"). The estimated purchase consideration for Japan Tomoike ranges from JPY642 million to JPY1.4 billion (the "Purchase Consideration").

Under Chapter 9 of the Listing Manual, where the Company and its subsidiaries (the "Group") proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5% of the Group's latest audited net tangible assets ("NTA"), Shareholders' approval is required in respect of the transaction.

Based on the latest audited financial statements of the Company as at 31 December 2005, the NTA of the Group was approximately US\$47.0 million. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by the Company with an interested person is, either by itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of US\$2.4 million, such a transaction will require Shareholders' approval. Given that the maximum Purchase Consideration is JPY1.4 billion (equivalent to approximately US\$11.8 million based on the exchange rate of approximately US\$1 : JPY118.3 as at 11 April 2006), the amount payable to the Company's Interested Persons in relation to the Proposed Acquisition will exceed the said threshold.

In accordance with the requirements of Chapter 9 of the Listing Manual, KPMG Corporate Finance Pte Ltd ("KPMG Corporate Finance") has been appointed to advise the Independent Directors of the Company as to whether the financial terms of the Proposed Acquisition are on normal commercial terms and whether they are prejudicial to the interests of the Company and its Independent Shareholders.

2. TERMS OF REFERENCE

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition, nor were we involved in the deliberations leading up to the decision on the part of the directors of the Company (the "**Directors**") to enter into the Proposed Acquisition and we do not, by this letter, warrant the merits of any part of the Proposed Acquisition other than to form an opinion as to whether the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders.

It is also not within our terms of reference to compare the relative merits of the Proposed Acquisition to any alternative transactions previously considered by or may have been available to the Directors or any alternative transactions that may be available in the future. Such evaluations or comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

In the course of our evaluation, we have held discussions with the management of the Company (the "Management") and have examined publicly available information collated by us as well as information provided to us by the Management, including information contained in the Circular. We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. The Directors have confirmed, having made all reasonable enquiries and to the best of their knowledge, information and belief, the accuracy of such information and representations as provided by the Management and have further confirmed to us that, upon making all reasonable enquiries and to the best of their knowledge, information and belief, all material information available to them in connection with the Proposed Acquisition has been disclosed to us, that such information is true and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us to be inaccurate, incomplete or misleading in any material respect. We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company. In performing our evaluation, we have not relied upon any financial projections or forecasts in respect of the Company or Japan Tomoike. The opinion set forth herein is based solely on publicly available information as well as information provided by the Management, and is predicated upon the economic and market conditions prevailing as at the date of this opinion. This letter therefore does not reflect any projections on the future financial performance of the Company after the completion of the Proposed Acquisition.

We have not made any independent evaluation or appraisal of the assets or liabilities (including without limitation, real property and infrastructure) underlying the Proposed Acquisition. Our view is based upon market, economic, industry, monetary, and other conditions in effect on, and the information made available to us, as at the Latest Practicable Date. Such conditions can change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the date of this letter even if it might affect our opinion contained herein.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

This letter is addressed to the Independent Directors for their benefit in connection with and for the purposes of their consideration of the Proposed Acquisition, and the recommendations made by them shall remain the responsibility of the Independent Directors.

This letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter. No other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner except with KPMG Corporate Finance's prior written consent in each specific case.

Our recommendation in relation to the Proposed Acquisition, as set out in Appendix I of the Circular, should be considered in the context of the entirety of this letter and the Circular.

3. INFORMATION ON THE PROPOSED ACQUISITION

3.1 Consideration for the Proposed Acquisition

Under the terms of the Agreement, the Purchaser will purchase the Japan Tomoike Sale Shares for a maximum aggregate Purchase Consideration of JPY1.4 billion, which was determined based on arm's length negotiations on a willing-buyer willing-seller basis, after taking into account the advice of EYCF and the following factors:

- (i) the independent valuation exercise conducted on Japan Tomoike by EY Japan to arrive at the estimated fair market value of the Japan Tomoike Sale Shares;
- (ii) the net income of Japan Tomoike for the financial year ended 31 May 2005 of approximately JPY261.3 million and the implied PER of 4.78 times of Japan Tomoike based on the First Tranche Consideration Amount of JPY642 million for the First Tranche Sale Shares;

- (iii) The payment terms extended to the Purchaser to acquire the entire issued and paid-up share capital of Japan Tomoike using the two-tranche payment arrangement, as detailed in section 2.2(a) of the Circular;
- (iv) the right extended to the Purchaser to elect the payment of the Second Tranche Sale Shares by procuring the Company to issue the Consideration Shares to Mr Yoshimi at a premium of approximately 6.1% to the last traded price of the Shares on 11 April 2006 and at a premium of 30.3% to the one month weighted average price of the Shares prior to the date of the Agreement; and
- (v) the prospects of Japan Tomoike and other relevant factors which are set out in Section 5 of the Circular.

The cash consideration portion of the Proposed Acquisition will be funded from internal resources. For further details on the independent valuation exercise conducted by EY Japan, please refer to the Valuation Summary set out in Appendix II of the Circular.

3.2 Principal Terms of the Agreement

(a) Purchase Consideration

The Purchaser will purchase the Japan Tomoike Sale Shares in two tranches for a maximum Purchase Consideration of JPY1.4 billion as follows:

- (i) The First Tranche Sale Shares (representing approximately 51.37% of the issued and paid-up share capital of Japan Tomoike) will be transferred by the Vendors to the Purchaser on the First Tranche Completion Date for the First Tranche Consideration Amount of JPY642 million; and
- (ii) The Second Tranche Sale Shares (representing approximately 48.63% of the issued and paid-up share capital of Japan Tomoike) will be transferred by Mr Yoshimi to the Purchaser on the Second Tranche Completion Date for the Second Tranche Consideration Amount, which shall be determined in accordance with the following formulae ("Formulae") as set out below. The Second Tranche Consideration Amount shall be the lower sum of the amount derived from the Formulae:

Formula 1:

Second Tranche Consideration Amount = Average of audited NPAT for the financial year of Japan Tomoike ending 31 May 2006 and the financial year of Japan Tomoike ending 31 May 2007 x Adjustment PER x 48.63%

Formula 2:

Second Tranche Consideration Amount = Actual audited NPAT for the financial year of Japan Tomoike ending 31 May 2007 x Adjustment PER x 48.63%

Where:

Adjustment PER = 5;

In the event that any of the calculated sums for the Second Tranche Consideration Amount derived from the Formulae resulted in a negative figure, the Purchaser shall not be required to pay any consideration to Mr Kunikazu Yoshimi for the Second Tranche Sale Shares. The Vendors and the Purchaser have agreed that irrespective of the amount derived from the Formulae, the Second Tranche Consideration Amount shall be subject to a cap of JPY 758 million.

The Purchaser has the right to elect payment of the Second Tranche Consideration Amount in the form of cash, or procuring the Company to issue new ordinary shares in the share capital of CDW (“Consideration Shares”) at the pre-determined issue price of 26.0 cents (“Issue Price”) to Mr Yoshimi, or a combination of cash and procuring the Company to issue Consideration Shares at the Issue Price to Mr Yoshimi. The Consideration Shares will be issued to Mr Yoshimi fully paid, and will rank *pari passu* in all respects with the Shares.

In the event the Purchaser elects to make payment of the Second Tranche Consideration Amount, wholly or partially, by procuring the Company to issue Consideration Shares at the Issue Price to Mr Yoshimi, the applicable S\$: JPY exchange rate on or about the Second Tranche Completion Date will be used for purposes of determining the number of Consideration Shares to be issued to Mr Yoshimi.

Please refer to Section 2.2(a) (ii) for further details on the Purchase Consideration and the illustrative example of the effects of the issuance of the Consideration Shares for the maximum Second Tranche Consideration Amount of JPY758 million.

Further information on the Proposed Acquisition, including the conditions precedent to the Proposed Acquisition and the governing law and jurisdiction are set out in Sections 2.2(b) and 2.2(d) of the Circular.

4. INFORMATION ON THE TARGET

4.1 Business Overview

Japan Tomoike is principally engaged in the business of:

- (i) supplying and manufacturing of precision accessories (the “Precision Accessories”) including insulators, shock absorbers, spacers, reflectors and double-sided tapes for use in office equipment such as printers and copiers as well as for use in electrical appliances such as notebooks, LCD TVs and computer monitors; and
- (ii) supplying precision components for mobile communication, consumer, entertainment and information technology equipment (“LCD Products”) including, primarily, LCD backlight units and their related components such as diffusers, reflectors, light guide panels for LCD Products. LCD backlight units are optical components used in the manufacture of LCD modules which are now commonly used in different kinds of mobile communication, consumer, entertainment and information technology equipment such as mobile phones, gamebox entertainment equipment, digital cameras and PDAs. In connection with the supply of LCD backlight units for LCD Products, Japan Tomoike will also provide relevant technical input relating to the design and sample development of such products. Additionally, Japan Tomoike also engages in processing (e.g. cutting and pressing) some of the related components.

Approximately 90% of Japan Tomoike's sales and 80% of its related gross profits are attributable to its business of supplying LCD backlight units and its related components and approximately 10% of Japan Tomoike's sales and 20% of its gross profits are attributable to its business of supplying and manufacturing Precision Accessories.

Further information on Japan Tomoike's business activities are set out in Sections 4.1 and Appendix V of the Circular.

4.2 Financial Information on Japan Tomoike

We note from Section 4.2 of the Circular that Deloitte Japan, in their Independent Auditors' Report dated 3 March 2006, stated that they are unable to verify the raw material inventory quantities as at 31 May 2004 and 31 May 2005 and the entire inventory quantities as at 31 May 2003 which amounted to approximately JPY51.1 million, JPY51.1 million and JPY134.0 million respectively.

As a result, Deloitte Japan is unable to express an opinion on the results for the financial year ended 31 May 2004. In the opinion of Deloitte Japan, except for the effects of such adjustments, if any, as might have been determined to be necessary had they been able to observe the physical inventories as at 31 May 2004 and 31 May 2005, the financial statements present fairly the financial position of the Japan Tomoike as at 31 May 2004, 31 May 2005 and 31 October 2005, and the financial results for the financial year ended 31 May 2005 and the five months ended 31 October 2005 are in conformity with the International Financial Reporting Standards.

We have reproduced the following selected audited financial results of Japan Tomoike for the financial years ended 31 May 2004 and 31 May 2005, and the five months ended 31 October 2005 from the Circular:

Financial Results

JPY'000	Financial year ended		Five months ended
	31 May 2004	31 May 2005	31 October 2005
Revenue	6,835,351	8,052,669	2,779,030
Cost of sales	(5,310,445)	(6,573,257)	(2,231,363)
Gross profit	1,524,906	1,479,412	547,667
Selling and administrative expenses	(999,989)	(1,017,017)	(368,013)
Other income (expense)	(5,248)	(11,572)	1,320
Profit before tax	519,669	450,823	180,974
Income tax	(218,031)	(189,571)	(78,045)
Profit after tax	301,638	261,252	102,929

Financial Position

JPY'000

As at
31 October 2005

Non-current assets

Tangible fixed assets	407,887
Intangible assets	4,230
Investments and other assets	365,592
Total non-current assets	777,709

Current assets

Cash and cash equivalents	882,671
Pledged deposits	113,540
Accounts receivable – trade	855,676
Notes receivable – trade	153,724
Other receivables	15,224
Prepaid expenses	18,109
Inventories	199,502
Short-term loans	62,000
Deferred tax assets	25,270
Other current assets	22,840
Total current assets	2,348,556
Total assets	3,126,265

Current liabilities

Accounts payable – trade	570,814
Notes payable – trade	785,435
Other payables	61,607
Accrued expenses	42,537
Income taxes payable	65,262
Short-term borrowings	363,650
Bonds	60,000
Lease obligations	30,437
Other current liabilities	19,233
Total current liabilities	1,998,975

Long-term liabilities

Long-term borrowings	38,250
Lease obligations	53,052
Bonds	310,000
Retirement allowance	53,000
Deferred tax liabilities	60,188
Total long-term liabilities	514,490

Total liabilities

2,513,465

Shareholders equity

612,800

NTA

608,570

Further financial information on Japan Tomoike is set out in sections 4.2 and 4.3 of the Circular.

5. EVALUATION OF THE PROPOSED ACQUISITION

5.1 Introduction

In the course of our evaluation of the financial terms of the Proposed Acquisition, we have given due consideration to, *inter alia*, the following factors:

- (a) the rationale for the Proposed Acquisition;
- (b) the financial assessment of the Proposed Acquisition;
- (c) the proforma financial effects of the Proposed Acquisition;
- (d) the dilution effects of the Proposed Acquisition on minority Shareholders; and
- (e) other relevant considerations.

5.2 Rationale for the Proposed Acquisition

As it is important for Shareholders to understand the rationale of the Proposed Acquisition, the Independent Directors should advise the Shareholders to read paragraph 3 of the Circular. We have considered the rationale for the Proposed Acquisition and extracted the following points from the Circular, as set out below:

5.2.1 Financial benefits for the CDW Group

Based on the proforma financial effects assuming that the Proposed Acquisition had been effected on 1 January 2005, and based on the assumptions for Scenario A and Scenario B as set out in section 6.1 of the Circular, the Proposed Acquisition is expected to be earnings accretive. The Company's earnings per Share for FY2005 is expected to:

- (i) increase from 1.85 US cents to 2.11 US cents based on Scenario A;
- (ii) increase from 1.85 US cents to 2.36 US cents for the cash settlement of the Second Tranche Consideration Amount under Scenario B; and
- (iii) increase from 1.85 US cents to 2.18 US cents for the Consideration Shares settlement of the Second Tranche Consideration Amount under Scenario B.

Further details of the financial effects in relation to the Proposed Acquisition are set out in section 6 of the Circular.

5.2.2 Stronger integration between the Group and Japan Tomoike

- (a) Procurement of raw materials and semi-finished goods in Japan

Japan Tomoike supplies raw materials and semi-finished goods to the Group for the production of the Group's products. Purchasing from Japan Tomoike enables the Group to enjoy economies of scale from the bulk discounts given by Japan Tomoike's suppliers and the cost savings arising from bulk purchases and shipments. The Proposed Acquisition will enable the Group to enjoy reliability of supply and quality assurance arising from the established relationships built up by Japan Tomoike with reputable suppliers of the raw materials and semi-finished goods required by the Group over the years. Save for the Company's representative office in Osaka, which was set up in October 2003, the Group does not have a procurement office or presence in Japan.

Further details of the rationale are set out in section 3.2.1 of the Circular.

- (b) A network of sales and marketing offices with access to principal operating facilities of customers in Japan

Japan Tomoike maintains several sales and marketing offices in Japan which are close to the principal operating facilities of customers. The Proposed Acquisition will ensure the Group's continuing sales to Japan Tomoike, thereby allowing the Group to create business turnover for the Group by serving the customers of Japan Tomoike which are based in Japan. The business of these Japanese customers based in Japan would otherwise be unavailable to the Group because of the geographical distance and the JT Deed of Undertaking, which is elaborated on in Section 3.2.4 of the Circular.

Further details of the rationale are set out in section 3.2.2 of the Circular.

- (c) Benefits in terms of costs, geographical reach and technological expertise

In light of the trend towards increasing globalisation, Japanese corporations are locating their production facilities in various locations outside of Japan to leverage upon the cost advantages and the existence of technical competencies and infrastructure in these countries. The integration of Japan Tomoike's sourcing capabilities and access to customers in Japan on the one hand, and the Group's production facilities in China and Hong Kong on the other, will result in benefits in serving customers in the global marketplace in terms of costs, geographical reach and technological expertise accruing to the Group and Japan Tomoike.

Further details of the rationale are set out in section 3.2.3 of the Circular.

- (d) Interested person transactions and corporate governance

For the purpose of the Company entering into the aforesaid recurrent transactions with Japan Tomoike, the Company had, on 8 November 2004, obtained a shareholders' mandate (the "**Shareholders' Mandate**") pursuant to Chapter 9 of the Listing Manual, and renewed on 28 April 2005, at the Company's 2005 Annual General Meeting. The Shareholders' Mandate was recently renewed on 28 April 2006 at the Company's 2006 Annual General Meeting. Comprehensive procedures (the "**Procedures**") have also been implemented by the Company to ensure that the purchases of products from Japan Tomoike are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practice and policies, which are on terms generally no more favourable than those extended to unrelated third parties.

The business of Japan Tomoike are similar to the Group's business. To address any perceived or actual conflict of interests that could arise between the Group and Japan Tomoike as a result of Mr Yoshimi being a Director of the Group and having an equity interest in Japan Tomoike, the JT Deed of Undertaking was executed by Japan Tomoike to clearly demarcate the territories in which the Group and Japan Tomoike could carry on business and to ensure that there will be no overlap between the territories of businesses and operations of the Group and that of Japan Tomoike's.

In view of the close working relationship between Japan Tomoike and the Group and the integral role which Japan Tomoike performs in the Group's overall business structure, the Directors believe that the Proposed Acquisition would benefit the Group by streamlining its business operations and reducing the costs of carrying out its business. The Proposed Acquisition will eliminate the need for the renewal of the Shareholders' Mandate every year and will enable the expanded Group to enjoy the economies of scale through integration of the two businesses which have been in close working relationship.

Further details of the rationale are set out in section 3.2.4 of the Circular.

5.2.3 Japan Tomoike's strengths in market information and technical know-how

Japan Tomoike has well-established relationships with reputable suppliers of raw materials and semi-finished goods required for the manufacture of LCD backlight units and other precision components for the production of various LCD Products. Japan Tomoike has been dealing with customers involved in the production of LCD backlight units and other precision components for over 20 years, Japan Tomoike's knowledge regarding the suitability of the raw materials and semi-finished goods for the development of LCD backlight units for LCD Products enables it to be one of the valued business partners of companies in the business of developing and producing LCD Products.

At the same time, serving as an established vendor of the Japanese corporations, Japan Tomoike is able to acquire market trend information in the mobile communication, consumer and information technology equipment industries which are subject to rapid technological developments, short product life cycles, evolving industry standards and changing consumer preferences. From this vantage point, Japan Tomoike will be able to play a more active role in the transmission of market information and technological know-how to the Group. The Group will in turn provide the bulk manufacturing base to support Japan Tomoike's customers. Upon completion of the Proposed Acquisition, the business of Japan Tomoike will be part of the Group's business, thereby enabling the Group to leverage on Japan Tomoike's expertise in the development of new LCD Products.

Further details of the rationale are set out in section 3.3 of the Circular.

5.3 Financial Assessment of the Proposed Acquisition

In evaluating the Proposed Acquisition, we have taken into account the following pertinent factors which we consider to have significant bearing on our assessment:

- (a) the Purchase Consideration;
- b) the valuation of Japan Tomoike;
- (c) the analysis of valuation multiples of Comparable Companies;
- (d) the analysis of implied valuation multiples of Comparable Transactions; and
- (e) the analysis of the Issue Price

5.3.1 The Purchase Consideration

It is proposed that the Purchaser acquire the entire issued and paid-up share capital of Japan Tomoike from the Vendors for a Purchase Consideration ranging from JPY642 million to JPY1.4 billion, or approximately US\$5.4 million to US\$11.8 million (based on the exchange rate of approximately US\$1 : JPY118.3 as at 11 April 2006).

The payment for the First Tranche Consideration Amount will be made in cash, while the payment for the Second Tranche Consideration Amount will be made, at the option of the Purchaser, in the form of cash, or the issuance of Consideration Shares at the Issue Price, or a combination of cash and issuance of Consideration Shares at the Issue Price.

5.3.2 The Valuation of Japan Tomoike

The Company has appointed Ernst & Young Shin Nihon (“EY Japan”) to prepare a report on the valuation of the share price of Japan Tomoike. A summary of the valuation report is set out in Appendix II of the Circular.

Based on the said report, EY Japan is of the opinion that the price per share of Japan Tomoike is estimated to be in a range from JPY4,565 to JPY51,866, with the most appropriate share price being JPY14,948. The most appropriate share price was valued based on a comparable listed stock approach (multiple method), particularly using CDW Holding Limited as the similar comparable company to Japan Tomoike in terms of type of industry, kind of business, and scale of business.

Based on EY Japan’s opinion as mentioned above, the purchase consideration implied by the most appropriate share price would be approximately JPY1.7 billion, or equivalent to approximately US\$14.1 million. The maximum Purchase Consideration of approximately US\$11.8 million will therefore represent a 17.6% discount to the-said implied purchase consideration.

5.3.3 Analysis of Comparable Companies

In assessing the reasonableness of the Purchase Consideration, we have considered the valuation statistics of listed companies involved in the developing, manufacturing, and/or supplying of LCD backlight units and/or precision electronics components in Japan, South Korea, Taiwan and Singapore (the “Comparable Companies”). The list of Comparable Companies has been set out in Appendix A to this letter.

It should be noted, however, that there is no listed company which we may consider to be identical to Japan Tomoike in terms of composition of business activities, scale of operations, risk profile, geographical spread of activities, financial condition, track record, future prospects and other relevant criteria. Accordingly, any comparison made with respect to the Comparable Companies merely serves as an illustrative guide and that the conclusion drawn from the comparison may not necessarily reflect the perceived market valuation of Japan Tomoike.

For the purposes of comparison with other publicly-listed companies, the valuation statistics considered are the Price-to-Earnings (“P/E”) multiple and the Enterprise Value (“EV”) to Earnings before Interest, Taxation, Depreciation and Amortisation (“EBITDA”) multiple (the “EV/EBITDA”). When comparing companies operating in different jurisdictions, we believe the EV/EBITDA multiple to be the more appropriate multiple to use as it avoids the distortionary effects of different depreciation policies, interest rates and taxation regimes which are inherent when using Earnings Before Interest and Tax (“EBIT”) multiples or Profit After Tax (“PAT”) multiples.

From the table, we have noted that the implied EV/EBITDA multiple and the implied P/E multiple for the Proposed Acquisition (both computed based on the maximum Purchase Consideration of JPY1.4 billion and the audited financial results of Japan Tomoike as at 31 May 2005) are 2.05 and 5.36, respectively.

We have noted that the EV/EBITDA multiple implied by the maximum Purchase Consideration falls below the range of the EV/EBITDA multiples of the Comparable Companies and is at a discount of approximately 64.0% to the median EV/EBITDA multiple of the Comparable Companies. We have also noted that the P/E multiple implied by the maximum Purchase Consideration is below the range of the P/E multiples of the Comparable Companies and is at a discount of approximately 31.8% to the median P/E multiple of the Comparable Companies.

5.3.4 Analysis of Comparable Transactions

We have also considered whether the acquisition cost is comparable to the valuation of similar transactions involving target companies who are in the electronics industry in Japan, South Korea, China, Taiwan and Singapore (“Comparable Transactions”).

Although there were transactions within our search criteria of the Comparable Transactions, we were unable to obtain the relevant publicly available financial information on the transactions, such as the deal targets’ net income and EBITDA figures. Accordingly, we were unable to perform a meaningful analysis on Comparable Transactions.

5.3.5 Analysis of the Issue Price

We have analysed the premium/(discount) implied by the Issue Price over the volume-weighted average Share price (“VWAP”) for varying periods preceding the signing of the Agreement, and have tabulated them as follows:

Reference Period	Dates	Price ⁽¹⁾	Premium/ (Discount)
Issue Price		26.0 cents	
Latest Practicable Date	29 May 2006	17.7 cents	46.9%
1 Market Day prior to signing of Agreement	11 Apr 2006	24.0 cents	8.3%
1 month prior to signing of Agreement	12 Mar 2006 – 11 Apr 2006	20.0 cents	30.0%
3 months prior to signing of Agreement	12 Jan 2006 – 11 Apr 2006	20.5 cents	26.8%
6 months prior to signing of Agreement	12 Oct 2005 – 11 Apr 2006	21.0 cents	23.8%

Source: Bloomberg

Notes:

1. VWAP for the reference period indicated

We note that the Issue Price represents a premia of between 23.8% and 30.0% over the VWAP for the 1 month, 3 months and 6 months period preceding the signing of the Agreement. We also note that the Issue Price represents a premium of approximately 8.3% over the price of the Shares 1 market day prior to the signing of the Agreement.

5.4 Proforma Financial Effects of the Proposed Acquisition

We have reproduced the illustrative financial effects of the Proposed Acquisition prepared based on the bases and assumptions as set out in section 6.1 of the Circular, hence the following illustrative financial effects of the Proposed Acquisition should be read in the context of the assumptions and bases set out in Section 6.1 of the Circular.

Scenario A: Partial acquisition of approximately 51.37% of the equity interest of Japan Tomoike with 48.63% of the fair values of net assets and NPAT of Japan Tomoike deducted as minority interests and not attributable to equity holders of the Group; and

Scenario B: Acquisition of 100% of the equity interest of Japan Tomoike and all fair values of net assets and NPAT of Japan Tomoike are attributable to equity holders of the Group.

Assuming that the Proposed Acquisition had been effected on 1 January 2005, the effects of the Proposed Acquisition on the earnings per Share, NTA per Share and gearing of the Company for FY2005 are as follows:

Scenario A (Acquisition of approximately 51.37% of the equity interest of Japan Tomoike)

	Before acquisition of 51.37% of Japan Tomoike	After acquisition of 51.37% of Japan Tomoike
Earnings		
Consolidated profit after taxation and minority interests (US\$'000)	8,942	10,196
Basic EPS (US cents) based on weighted average number of 482,214,000 Shares ⁽²⁾ in issue during 2005 ⁽¹⁾	1.85	2.11
Net tangible assets		
NTA (US\$'000)	46,965	42,560
Number of Shares	488,000,000	488,000,000
NTA per Share (US cents)	9.62	8.72
Gearing		
Total borrowings (US\$'000) ⁽³⁾	3,276	13,772
Shareholders' funds (US\$'000)	46,965	46,965
Gearing ratio (times) ⁽⁴⁾	0.07	0.29

Scenario B (Acquisition of 100% of the equity interest of Japan Tomoike)

	Before acquisition of 100% of Japan Tomoike	After acquisition of 100% of Japan Tomoike	
		Second Tranche Consideration Amount settled in cash	Second Tranche Consideration Amount settled by issuance of the Consideration Shares
Earnings			
Consolidated profit after taxation and minority interests (US\$'000)	8,942	11,383	11,383
Basic EPS (US cents) ⁽¹⁾	1.85	2.36	2.18
Net tangible assets			
NTA (US\$'000)	46,965	38,085	44,492
Number of Shares ⁽²⁾	488,000,000	488,000,000	527,591,000
NTA per Share (US cents)	9.62	7.80	8.43
Gearing			
Total borrowings (US\$'000) ⁽³⁾	3,276	13,772	13,772
Shareholders' funds (US\$'000)	46,965	46,965	53,373
Gearing ratio (times) ⁽⁴⁾	0.07	0.29	0.26

Notes:

- (1) There is no diluted EPS as the average market price of the Shares during the period from 12 September 2005, which is the date on which the Company issued 18,056,000 options over Shares ("Options"), to 31 December 2005, is below the exercise price of the Options.
- (2) The number of Shares has been rounded to the nearest thousand.
- (3) As at 31 December 2005, the Group had cash and cash equivalents and pledged cash deposits amounting to US\$24.0 million. As at 31 May 2005, Japan Tomoike had cash and cash equivalents and pledged cash deposits of US\$ 13.4 million. Based on the combined balance sheets of the Group as at 31 December 2005 and of Japan Tomoike as at 31 May 2005, the total cash and cash equivalents and pledged deposits exceeded total borrowings of US\$13.8 million by US\$ 23.6 million.
- (4) Gearing ratio is expressed as the ratio of total borrowings to shareholders' equity for the Group. Total borrowings comprise all bank borrowings, finance leases and debt instruments.

We note the following potential impacts on the EPS of the Company following the Proposed Acquisition:

- (i) EPS will increase by approximately 14.1% under Scenario A;
- (ii) EPS will increase by approximately 27.6% using cash settlement of the Second Tranche Consideration Amount under Scenario B; and
- (iii) EPS will increase by approximately 17.8% using the Consideration Shares settlement of the Second Tranche Consideration Amount under Scenario B.

We also note the following potential impacts on the NTA per share of the Company following the Proposed Acquisition:

- (i) NTA per share will decrease by approximately 9.4% under Scenario A;
- (ii) NTA per share will decrease by approximately 18.9% using cash settlement under Scenario B; and
- (iii) NTA per share will decrease by approximately 12.4% using the Consideration Shares settlement of the Second Tranche Consideration Amount under Scenario B.

We note that the financial information provided in section 6 of the Circular is purely for illustrative purposes only and does not necessarily reflect the actual future financial position and prospects of Japan Tomoike, the Company and/or the Group after the Proposed Acquisition. We recommend that the Independent Directors advise the Shareholders to read section 6 carefully.

5.5 Dilution Effects of the Proposed Acquisition on minority Shareholders

We note that should the Purchaser decide to make the payment for the Purchase Consideration fully in cash, there would be no dilution impact on the shareholdings of minority Shareholders. We further note that the Purchaser can choose to make a payment of up to JPY758 million in Consideration Shares at the Issue Price for the Second Tranche Consideration Amount, resulting in an issuance of a maximum of 39,591,000 new Shares based on Scenario B in section 6.2 of the Circular. This will result in a decrease in the minority Shareholders' shareholdings from 36.6% to 33.9%.

5.6 Other Relevant Considerations

5.6.1 Risk Factors

We note from Section 4.5 of the Circular that there are a number of risk considerations in relation to the Proposed Acquisition. Some of the considerations relate principally to the industry in which Japan Tomoike operates and its business in general, while other considerations relate principally to general economic and political conditions.

Shareholders should note that should any of the considerations and uncertainties as set out in Section 4.5 develop into actual events, the business, financial conditions or results of operations of Japan Tomoike could be materially and adversely affected.

5.6.2 Pending Litigation between Kyowa Co. and Japan Tomoike

We note from Section 4.6 of the Circular that there is a pending litigation suit filed by Kyowa Co. against Japan Tomoike in relation to the assertion of the wrongful default of a land sales contract (the "Suit"). We further note that the Purchaser has obtained indemnity from the Vendors against any losses arising from the Suit.

5.6.3 Investment of Funds in a Leveraged Lease Arrangement

We note from section 4.7 of the Circular that Japan Tomoike has entered into the Leveraged Lease Arrangement with NBBK, and after 30 April 2010, NBBK is expected to return the funds invested by Japan Tomoike together with its share of any profits from the lease and sale of the airplane or net of losses incurred by NBBK from the lease and sale of the airplane.

We also note that there is uncertainty as to whether the Japanese tax authorities would subsequently impose additional tax on Japan Tomoike on the basis that such leveraged lease arrangements are ineffective and Japan Tomoike cannot offset the losses derived from the Leveraged Lease Agreement against its other income.

We note that in relation to the said uncertainty, the Purchaser has obtained Indemnity from the Vendors against any losses which could flow from the tax treatment of the Leveraged Lease Arrangement, including penalties which could result from Japan Tomoike's investment of funds with NBBK.

For further details of the Leveraged Lease Arrangement and the Indemnity, please refer to section 4.7 of the Circular.

6. OUR OPINION

In arriving at our opinion on whether the financial terms of the Proposed Acquisition are on normal commercial terms and whether they are prejudicial to the interests of the Company and its Independent Shareholders, we considered the factors set out in the previous sections of this report. Our conclusions in respect of the factors considered are set out below:

(a) Rationale for the Proposed Acquisition

We have reviewed the rationale for the Proposed Acquisition and are of the view that the Proposed Acquisition is being made on reasonable bases.

(b) Financial Assessment of the Purchase Consideration

In reviewing the Purchase Consideration ranging from JPY642 million to JPY1.4 billion, or approximately US\$5.4 million to US\$11.8 million (based on the exchange rate of approximately US\$1 : JPY118.3 as at 11 April 2006), we have considered the following:

- (i) the valuation of Japan Tomoike;

We note that based on the valuation report from EY Japan, the maximum Purchase Consideration will represent a 17.6% discount to the purchase consideration implied by the most appropriate share price.

- (ii) the analysis of implied valuation multiples of Comparable Companies;

We note that the EV/EBITDA multiple implied by the maximum Purchase Consideration falls below the range of the EV/EBITDA multiples of the Comparable Companies and is at a discount of approximately 64.0% to the median EV/EBITDA multiple of the Comparable Companies. We also note that the P/E multiple implied by the maximum Purchase Consideration is within the range of the P/E multiples of the Comparable Companies and is at a discount of approximately 31.8% to the median P/E multiple of the Comparable Companies.

(c) Proforma financial effects of the Proposed Acquisition

We note the following potential impacts on the EPS of the Company following the Proposed Acquisition:

- (i) EPS will increase by approximately 14.1% under Scenario A;
- (ii) EPS will increase by approximately 27.6% using cash settlement under Scenario B; and
- (iii) EPS will increase by approximately 17.8% using the Consideration Shares settlement of the Second Tranche Consideration Amount under Scenario B.

We also note the following potential impacts on the NTA per share of the Company following the Proposed Acquisition:

- (i) NTA per share will decrease by approximately 9.4% under Scenario A;
- (ii) NTA per share will decrease by approximately 18.9% using cash settlement under Scenario B; and
- (iii) NTA per share will decrease by approximately 12.4% using the Consideration Shares settlement of the Second Tranche Consideration Amount under Scenario B.

(d) Dilution effects of the Proposed Acquisition on minority Shareholders

We note that should the Purchaser decide to make the payment of the Second Tranche Consideration Amount fully in Consideration Shares, this will result in a dilution impact on the shareholdings of minority Shareholders from 36.6% to 33.9%.

(e) Other Relevant Factors

We also considered other factors in our evaluation, such as the risk factors for the Proposed Acquisition, the pending litigation between Kyowa Co. and Japan Tomoike, as well as the leveraged lease arrangement between Japan Tomoike and NBBK.

After carefully considering the information available to us as of, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date and based on our considerations above, we are of the opinion that the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders.

Accordingly, we advise the Independent Directors to recommend that the Shareholders vote in favour of the Proposed Acquisition at the SGM.

In rendering the above opinion, we have not taken into consideration the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder. Accordingly, any individual Shareholder who may require specific advice in relation to his investment portfolio including his investment in the Shares should consult his stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

The opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
KPMG Corporate Finance Pte Ltd

Vishal Sharma
Director

Tiew Chee Siang
Associate Director

Appendix A

Comparable Companies

No.	Company	Country	Description	Market cap (S\$ mil)	EV/ EBITDA ¹	Price/ Earnings
1.	D.ID Corp	South Korea	D.ID Corporation produces backlight units (BLU) used in the thin film transistor-liquid crystal display (TFT-LCD) products. The Company provides LCD manufacturing companies with the product.	82.95	2.97	5.11
2.	e-LITECOM Co Ltd	South Korea	e-LITECOM Co., Ltd. manufactures back light units used in liquid crystal display (LCD). The Company's products include electronic lamps (EL) and cathode fluorescent tube back light units (CCFT).	129.98	5.70	9.52
3.	Il Shin High Technology Inc	South Korea	Il Shin High Technology Inc. (I.S High Tech) develops and manufactures liquid crystal display (LCD) back lights used in cellular phone. The Company also produces plastic molding and injection for auto parts, such as sensors and bumpers.	76.78	16.77	nm ²
4.	Raygen Co Ltd	South Korea	Raygen Co., Ltd. manufactures back light units (BLU) used in the thin film transistor-liquid crystal display (TFT-LCD) products. The Company also assembles LCD products such as a view finder in camcorder. In addition, Raygen produces plastic molds for electronic products.	32.12	3.39	7.86
5.	DS LCD Co Ltd	South Korea	DS LCD Co., Ltd. manufactures back light units (BLUs) for thin film transistor- liquid crystal display (TFT-LCD). The Company's products include BLUs for notebooks, monitors, and TVs. DS LCD provides its products mainly to overseas market.	238.17	4.76	6.44
6.	Taesan LCD Co Ltd	South Korea	Taesan LCD Co., Ltd. specializes in manufacturing back light units for thin film transistor-liquid crystal display (TFT-LCD) used in notebooks and computer monitors. The Company supplies its products mainly to Samsung Electronics.	96.99	4.82	3.29

No.	Company	Country	Description	Market cap (S\$ mil)	EV/ EBITDA ¹	Price/ Earnings
7.	Wooyoung Co Ltd	South Korea	Wooyoung Co., Ltd. produces back light units used in liquid crystal display (LCD) products such as laptop computers and monitors. The Company also manufactures connectors, laser scanning units used in laser printer, LCD TVs, and metallic molds.	113.39	6.52	7.34
8.	L&F Co Ltd	South Korea	L&F Co., Ltd manufactures and sells back light units (BLU) used for liquid crystal display (LCD) products such as computer monitors and notebook computers. The Company also produces lamp housings.	131.23	13.52	18.39
9.	Nano Hitec Electronic Co Ltd	South Korea	Nano Hitec Electronic Co., Ltd. manufactures back light units (BLUs) used in thin film transistor-liquid crystal displays (TFT-LCD). The Company also produces semiconductor test devices, such as burn-in boards and hi-fix boards.	59.34	4.65	14.52
10.	Hansung Elcomtec Co Ltd	South Korea	Hansung Elcomtec Co., Ltd. manufactures electro luminescent backlight unit used in liquid crystal display (LCD) devices. The company also produces compact camera module (CCM) used in digital product, such as digital camera, scanner, camcorder, cellular phone, and notebook computer.	105.61	11.58	nm ²
11.	CDW Holding Ltd	Singapore	CDW Holding Limited manufactures and supplies precision components. The Company's products are designed for use in mobile communications equipment, office equipment, electrical appliances, and consumer, information technology, and entertainment equipment.	85.40	3.40	6.00
12.	Radiant Opto-Electronics Corp	Taiwan	Radiant Opto-Electronics Corporation develops, manufactures, and markets opto-electronics products. The Company's main products are liquid crystal display (LCD) backlight units, and backlight processed components and sub-assemblies.	1011.41	6.43	8.07

No.	Company	Country	Description	Market cap (S\$ mil)	EV/ EBITDA ¹	Price/ Earnings
13.	Kuroda Electric Co Ltd	Japan	Kuroda Electric Co., Ltd. sells electronics materials and electronic components. The Company's products include connectors, semiconductor devices, batteries, ferrites and switches.	675.72	11.10	36.77
	Lowest				2.97	3.29
	Median				5.70	7.86
	Highest				16.77	36.77
Based on the maximum Purchase Consideration of JPY1.4 billion					2.05²	5.36
Notes:						
1. All EV/EBITDA ratios are computed on a historical basis using financial data obtained from Bloomberg as at the 30 May 2006.						
2. "nm" means "not meaningful"						
3. Japan Tomoike recorded an EBITDA of JPY530.8 million for the financial year ended 31 May 2005. Its Enterprise Value is calculated by adding the book value of net debt (book value of short term and long term interest-bearing debt less excess cash) of JPY(310.8) million to the acquisition cost.						
<i>Source: Bloomberg</i>						

VALUATION SUMMARY BY ERNST & YOUNG SHIN NIHON



Ernst & Young Shin Nihon
Kobe Office
Kobe Kyukyoryuchi Heiwa Bldg.
49, Harima-cho, Chuo-ku Kobe
650-0036 Japan

8 June 2006

The Board of Directors
CDW Holding Limited
16th Floor, Tower II, Grand Central Plaza,
138 Sha Tin Rural Committee Road, Shatin, N.T., H.K.

Valuation Summary

In accordance with your instructions, we have carried out an independent valuation to determine a fair market value of the entire equity of Tomoike Industrial Co., Ltd. ("Japan Tomoike"). The effective date of valuation is 31 October 2005 and this Valuation Summary constitutes a summary of the salient points in our independent Valuation Report dated 10 April 2006. The Valuation Report was commissioned by CDW Holding Limited ("CDW") for the purpose of a contemplated purchase of the entire equity in Japan Tomoike from its current owners.

We found it appropriate to adopt a combination of approaches that consist of a method based on the flow approach that reflects the future prospects of the issuer (i.e. similar comparable company method, net present value-based capitalization method) and a method based on the stock approach (i.e. fair value of net assets) which reflects the business condition at the present time.

Investors should be aware of the major limiting conditions and major assumptions on which the valuation is premised and which are stated in the Addendum to the Valuation Report.

The approaches described below are the:

- (a) Net asset approach;
- (b) Comparable listed stock approach; and
- (c) Income approach

(a) Net asset approach

This approach involves focusing on net assets as an indicator of the financial position in making a valuation of the share price of the target company. A valuation based on this approach reveals the static value of an entity and it is easy to understand the calculation process because the valuation is based on the balance sheet. This approach is often adopted in the valuation of stock of companies holding real estate because the unrealized profit can reflect the estimated value of their shares. The problem with this approach is that expected future earnings or growth are excluded from the valuation process.

$$\begin{aligned}
 \text{Appraised value per share} &= \frac{\text{Market value of net assets}}{\text{total of outstanding shares}} \\
 &= \frac{533,614 \text{ thousand yen}}{116,800 \text{ shares}} \\
 &= 4,565 \text{ yen}
 \end{aligned}$$

Fair value of net assets of 533,614 thousand yen is based on the net assets of 612,800 thousand yen stated in the audited balance sheet of the Company as of October 31, 2005 with an unqualified opinion expressed by Deloitte Touche Tohmatsu, and an adjustment of 79,186 thousand yen mentioned below.

JPY'000				
Description		Book value	Appraisal value	Adjustment
Mie Plant	– Land	68,834	47,100	(21,734)
	– Buildings	222,552	165,100	(57,452)
	Total	291,386	212,200	(79,186)

(b) Comparable listed stock approach

This approach involves the calculation of the value of one share of the target company by comparing the market performance of share price of listed companies which have similar business models in the same industry as these of the target company. The approach may involve the use of comparable indices such as Price Earnings Ratio (PER), Price Book-value Ratio (PBR), or Price/EBITDA multiple. The value of equity is estimated by the following method:

First, a comparable listed company, a company similar in business scale and business description to the target company, is selected among the listed companies. Second, the value of shareholders' equity of the target company is calculated based on the market price of shares of the comparable company (the comparable index) on the premise that shares of the target company can be evaluated in the same manner as those of the comparable company in the stock market. In this case, the value of equity of the Company is estimated using the PER, the major comparable index, to measure the market value of equity, which is based on income after income taxes.

$$\text{Price Earnings Ratio (PER)} = \frac{\text{Share Price} \div \text{Earnings per share, or}}{\text{Market capitalization of share} \div \text{Income after income taxes}}$$

$$\text{Value of equity} = \text{PER of a comparable} \times \text{Income after income taxes of the subject company}$$

(i) Comparable companies listed on stock exchange in Japan

Based on the comparable companies listed on the stock exchange in Japan, the estimated value of equity in Japan Tomoike lies within the range of 3,734 million yen to 14,263 million yen, with an average estimated value of 6,686 million yen. The estimated value per share lies within the range of 31,969 yen to 122,114 yen with an average of 57,243 yen.

(ii) Similar comparable companies listed on the stock market in Singapore

Based on the comparable companies listed on the stock exchange in Singapore, the estimated value of equity in Japan Tomoike lies within the range of 1,466 million yen to 6,058 million yen, with an average estimated value of 2,982 million yen. The estimated value per share lies within the range of 12,551 yen to 51,866 yen with an average of 25,530 yen.

(iii) CDW Holding Limited

CDW Holding Limited, listed on the SGX-ST, except for differences in customers (countries where the customers are located) and its larger scale, has operated in the same business areas and records almost the same growth in business results as those of the Company.

Using CDW as a comparable, the estimated value of equity in Japan Tomoike is estimated to be approximately 1,746 million yen. The estimated value per share is approximately 14,948 yen.

(c) Income approach (discount cash flow method)

The approach calculates the value of the target company's continuing operations by discounting the expected free cash flow ("FCF") generated from the operation to the present value by using the weighted-average cost of capital ("WACC").

Before determining the discount rate applicable to the process for estimating the present value of the FCF, companies with similar businesses and scale as the target company are selected among listed companies in the same manner as the comparable listed stock approach. Then the Beta value, which represents the ratio of changes in stock price of the selected listed company against the entire of fluctuation of stock prices in the market, is calculated. After that, the rate of the expected return to shareholders is computed incorporating a risk-free rate and equity risk premium into consideration based on the capital asset pricing model (CAPM). Then the WACC is computed as the weighted-average ratio between the rate of the expected return to shareholders and the rate of return on liabilities. Finally, the value of the target company is obtained by discounting the FCF by the WACC. Using this method, the estimated value of equity in Japan Tomoike is approximately 2,892 million yen. The estimated value per share is approximately 24,760 yen.

Based on the above valuation methods, the price per share of the target company was estimated to be in a range from 4,565 yen to 51,866 yen. Having considered the above valuation methods, we concluded that the most appropriate valuation method should be the comparable listed stock approach (multiple method), particularly using CDW as the similar comparable company to Japan Tomoike in terms of type of industry, kind of business and scale of business. Therefore, the estimated value of equity in Japan Tomoike is approximately 1,746 million yen or 14,948 yen per share.

Yours faithfully,
For and on behalf of
ERNST & YOUNG SHIN NIHON

VALUATION CERTIFICATE BY K.K. TENMABASHI EVALUATION OFFICE

Valuation Certificate

1. **Date** : November 16 2005
2. **Valuation prepared for** : CDW Holding Limited
3. **Purpose of valuation** : To obtain the value of the assets
4. **Date of inspection** : 16 November 2005
5. **Address of property** : Aza-Choraku, Uegawa-cho, Matsuzaka City, Mie Prefecture Japan (“**Property**”)
6. **Type of the Property** : Land and building
7. **Type of title to the Property** : Freehold
8. **Brief description of the Property**

The Land of the Property

- (a) **Area** : 3,925.49 square metres
- (b) **Land Shape** : Irregular
- (c) **Span and Depth** : Approximately 33 metres in span and 68 metres in width
- (d) **Relations with adjacent roads**

The Land faces three roads in three directions. Details are as follows:

- (i) North of the Land faces No. 4 Street of Uegawa Industrial Park. The road is approximately 9 metres wide.
- (ii) East of the Land faces No.1 Road of Uegawa. The road is approximately 7 metres wide.
- (iii) West of the Land faces No.1 Street of Uegawa Industrial Park. The road is approximately 7 metres wide.

- (e) **Present use of the Property**

The Property is used as a site for the office building (“**Building**”) of Tomoike Industrial Co., Ltd, (Mie sales office). The Building is located approximately at the center of the lot and the surrounding area of the Building is used for parking spaces. A small green zone is provided at the periphery of the lot. Geographical features surrounding the Property are a gentle slope climbing up from the north to south. Accordingly, there is a step approximately 1 metre in height near the border between lot numbers 3461-32 and 3461-33.

The Building on the Property

- (a) **Building no.** : 3461-32
- (b) **Type of building** : Office and factory
- (c) **Details of construction of the building** : It is a two-storey building built with steel-frame construction and has a galvanium steel sheet roof
- (d) **Total floor area** : (i) First floor area: 954.95 square metres
(ii) Second floor area: 954.95 square metres
(iii) Total floor area: 1,909.90 square metres
- (e) **Date built** : 10 March 2004
- (f) **Building permit, etc.** : (i) Date of permit is 26 September 2003
(ii) Permit no. is 02672
(iii) Completion of the building is inspected
- (g) **Present use of the Building:**

The first floor of the Building is used as a clean room (operation area) and storage area. The second floor of the Building is used as the Mie sales office of Tomoike Industrial Co., Ltd and storage area. Air-conditioning equipment is furnished because the Building is constructed for the specification as an operation area and office. The quality and quantity of the construction of the Building is at normal level. The Building is well-maintained.

9. Possibility of Soil Pollution

No possibility of soil pollution can be detected from the residential map or the history of classification of the relevant lot in the land register before the area, where the Property is located, was developed as an industrial park. The operation performed on the Property presently is principally a stamping operation of electrical insulation parts, and no water is used in the process. Wastewater discharged from the facility, therefore, is limited to wastewater from the daily activities of the employees. Further, no application for a designated facility under the Water Pollution Control Law relating to Soil Contamination Measures Law was submitted. Accordingly, it is not considered that soil contamination will affect the price of the Property for this appraisal.

10. **Legal description** : 3461-32,3461-33,3461-40
11. **Details of zoning** : Aza-Choraku,Uegawa-cho,Matsusaka City, Mie Prefecture Japan
12. **Registered owner of property** : Tomoike Industrial Co.,Ltd
13. **Land area** : The land area is 3925.49 square metres and it is classified as Residential Land

14. **Basis and method of valuation of the Property**

This valuation survey of the Property is for the purpose of arriving at the appraised value of the Property for CDW Holding Limited's consideration in connection with its proposed acquisition of the entire issued and paid-up share capital of Tomoike Industrial Co., Ltd.

Real-estate properties may be appraised using the accumulated price method, the comparative price method or the profit price method. In the present case, due to the lack of information relating to the Property, the Property could only be appraised using the accumulated price method.

15. **Valuation**

The appraised value of the Property is 212,200,000 JPY, details of which are as follows:

- (a) the appraised value of the Land is 47,100,000 JPY; and
- (b) the appraised value of the Building is 165,100,000 JPY.

Yours faithfully,
For and on behalf of
K.K. TENMABASHI EVALUATION OFFICE

8 June 2006

GENERAL INFORMATION

1. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) Directors

Based on the Company's Register of Directors' Shareholdings, the Directors of the Company and their interests in the Shares, as at the Latest Practicable Date, are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kunikazu Yoshimi ⁽¹⁾	0	0	248,680,000	50.96
Akihiro Kiyota	200,000	0.04	0	0
Lai Shi Hong, Edward	200,000	0.04	0	0
Wong Yik Chung, John	100,000	0.02	0	0

Note:

- (1) The issued and paid-up share capital of Mikuni Co., Limited is entirely held by Mr Kunikazu Yoshimi. As a result of Mr Kunikazu Yoshimi's interest in Mikuni Co., Limited, he is deemed interested in the 248,680,000 Shares held by Mikuni Co., Limited.

Our Directors, Mr Akihiro Kiyota and Mr Lai Shi Hong, Edward, currently each holds 3,416,000 options over Shares in CDW which were granted to them on 12 September 2005, pursuant to the CDW Holding Share Option Scheme.

(b) Substantial Shareholders

Based on the Company's Register of Substantial Shareholders, the Substantial Shareholders of the Company and their interests in the Shares, as at the Latest Practicable Date, are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Mikuni Co., Limited (formerly known as Crystal Display Components (HK) Limited)	248,680,000	50.96	0	0
China Fund, Inc. ⁽¹⁾	60,000,000	12.30	0	0

Note:

- (1) China Fund, Inc. is a non-diversified, close-end fund which invests in companies in Greater China. Its direct investment manager is Asian Direct Capital Management, of which our Non-Executive Director, Mr Koh Kuek Chiang, is an executive director and portfolio manager.

2. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor any of its subsidiaries have entered into any material contracts (other than those entered into in the ordinary course of business) during the two years preceding the Latest Practicable Date:-

- (a) the agreement entered into by the Company and the Vendors for the sale and purchase of the Japan Tomoike Sale Shares dated 12 April 2006;
- (b) sale and purchase agreement dated 8 November 2004 between Tomoike Industrial (Hong Kong) Holding Limited, Mikuni Co., Limited (formerly known as Crystal Display Components (HK) Limited) and China Fund, Inc., ("**China Fund**"), pursuant to which Tomoike Industrial (Hong Kong) Holding Limited acquired the entire issued and paid-up share capital of Hong Kong Tomoike from Mikuni Co., Limited and China Fund for an aggregate consideration of US\$9,641,513;
- (c) letter agreement dated 8 November 2004 between the Company and China Fund, pursuant to which the Company agreed, *inter alia*, that in the event that the Shares are not admitted to the Official List of the SGX-ST, the Company will grant to China Fund the option to convert its Shares in the Company to fixed rate cumulative redeemable convertible preference shares ("**Preference Shares**"). The rights attached to the Preference Shares will be identical to the rights attached to the preference shares of Hong Kong Tomoike. This undertaking has terminated on the date of admission of the Company to the Official List of the SGX-ST; and
- (d) sale and purchase agreement dated 28 September 2004 between Hong Kong Tomoike and Mr Hiroshi Sayama pursuant to which Hong Kong Tomoike divested all its interest in Tomoike Industrial Taiwan Co., Limited ("**TM Taiwan**") comprising 66.56% of the issued and paid-up share capital in TM Taiwan to Mr Hiroshi Sayama for a consideration of US\$314,253.

3. LITIGATION

Neither the Company nor its subsidiaries are engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are or may be material and the Directors have no knowledge of any proceedings which are pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Company or any of its subsidiaries during the last 12 months before the Latest Practicable Date.

4. INTERESTED PERSON TRANSACTIONS WITH JAPAN TOMOIKE

For the three-month period ended 31 March 2006, all interested person transactions between Japan Tomoike and the Company are conducted under the Shareholders' Mandate (as defined in Section 1 of this Circular). Details of these transactions are set out below:

Description of transaction between the Company and Japan Tomoike	Aggregate value of all interested person transactions conducted with Japan Tomoike under the Shareholders' Mandate (excluding transactions less than S\$100,000) / US\$'000
Purchases of raw materials and semi-finished goods from Japan Tomoike	6,809
Assembly of LCD backlight units and its related components and Precision Accessories	3,841
Total	10,650

(a) Technical Services Contract between Japan Tomoike and the Purchaser

In addition to the above, the Purchaser intends to enter into a Technical Services Contract with Japan Tomoike ("**Technical Services Contract**"). Under the Technical Services Contract, Japan Tomoike will provide, *inter alia*, procurement, marketing and technical services to the Purchaser and the Group. In accordance with the Group's review and approval procedures implemented with respect to transactions with Japan Tomoike that do not fall within the ambit of the Shareholders' Mandate, the Technical Services Contract will be approved by a senior executive appointed by the Board with the approval of the Audit Committee. Upon the completion of the Proposed Acquisition, the services provided under the Technical Services Contract will cease to be interested person transactions.

(b) Agreements between Mikuni Co., Limited and Japan Tomoike

Mikuni Co., Limited ("**Mikuni**"), which is a company incorporated in Hong Kong, is the controlling shareholder of the Company. The entire issued and paid-up share capital of Mikuni is owned by Mr Kunikazu Yoshimi. Pursuant to a Marketing Services Agreement and a Support Services Agreement, which were entered into between Mikuni and Japan Tomoike on 9 June 2005 and 1 March 2005 respectively, Mikuni provides support services ("**Support Services**") and marketing services ("**Marketing Services**") to Japan Tomoike. The Support Services, which include public relations, advertising, sales promotion, market research and after-sales services, are provided by Mikuni through its branch in Japan to Japan Tomoike. The Marketing Services, which include marketing support and planning strategy services, are provided by Mikuni from its headquarters in Hong Kong to Japan Tomoike. Under the terms of the Marketing Services Agreement and the Support Services Agreement, fees ("**Fees**") amounting to in aggregate, approximately 3.5 million JPY a month, are payable by Japan Tomoike to Mikuni.

Japan Tomoike and Mikuni have agreed to terminate the Marketing Services Agreement within 3 months from the First Tranche Completion Date, but intend to continue with the Support Services Agreement. Presently, the fees payable by Japan Tomoike to Mikuni under the Support Services Agreement is approximately 1.5 million JPY a month. The provision of Support Services will constitute an interested person transaction following the acquisition of the First Tranche Sale Shares by the Purchaser. This transaction will be subject to the review procedures for other existing and future interested person transactions other than those covered under the Shareholders' Mandate set out on pages 124 and 125 of the Company's prospectus dated 14 January 2005.

INFORMATION OF JAPAN TOMOIKE

1. CORPORATE INFORMATION

Date of incorporation	26 October 1959	
Place of incorporation	Sakai City, Osaka Prefecture	
Company number	1500-01-005953	
Registered address	3-4, Koizumicho-higashi 2-chome, Yamatokoriyama City, Nara Prefecture, Japan	
Objects of the Japan Tomoike	Article 2 of the Articles of Incorporation of Japan Tomoike sets out the purposes of the company, specifically: (1) processing and sale of various felt materials; (2) processing and sale of various fiber products; (3) manufacture and sale of various materials for cushions; (4) processing and sale of polystyrene; (5) adhesive processing and sale of various materials for backup; and (6) any and all business in conjunction with or related to the business activities described above.	
Authorised number of shares	180,000 shares	
Issued shares	116,800 shares	
Issued capital	60,000,000 JPY	
Paid-up capital	60,000,000 JPY	
Present directors	Koichi Urano (also president of Japan Tomoike) Hiroshi Sayama Toyoko Yoshimi	
Other office bearer	Masaaki Suga (internal auditor)	
Number of employees	Full time employees	110
	Part time workers	76

CDW HOLDING LIMITED

(Incorporated in Bermuda)
(Bermuda Company Registration Number: 35127)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of CDW Holding Limited (the “**Company**”) will be held on 26 June 2006 at 3.00 pm at Carlton Hotel Singapore, Level 2, Connaught Room, 76 Bras Basah Road, Singapore 189558, for the purpose of considering and, if thought fit, passing (with or without modification) the following ordinary resolutions:-

AS ORDINARY RESOLUTIONS

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TOMOIKE INDUSTRIAL CO., LTD BY TOMOIKE INDUSTRIAL (H.K.) LIMITED, A WHOLLY-OWNED SUBSIDIARY OF CDW HOLDING LIMITED

- (a) that the proposed acquisition (“**Proposed Acquisition**”) of the entire issued and paid-up share capital of Tomoike Industrial Co., Ltd from Mr Kunikazu Yoshimi, Mr Koichi Urano, Mr Hiroshi Sayama, Mr Masaaki Suga, Mrs Toyoko Yoshimi and Mrs Aiko Yoshimi (the “**Vendors**”) upon and subject to the terms and conditions of the sale and purchase agreement dated 12 April 2006 entered into between Tomoike Industrial (H.K.) Limited and the Vendors (the “**Agreement**”) for a maximum aggregate purchase consideration of 1.4 billion JPY and the transactions contemplated under the Agreement be and are hereby approved; and
- (b) that subject to resolution (a) being approved, the Directors of the Company be and are hereby authorised to allot and issue such new ordinary shares at an issue price of 26.0 Singapore cents each (the “**Consideration Shares**”) in the capital of the Company, calculated with reference to the maximum aggregate consideration of 758 million JPY for the Second Tranche Sale Shares, as defined in the circular issued by the Company dated 8 June 2006 (“**Circular**”), and based on the S\$: JPY exchange rate on or about the Second Tranche Completion Date, as defined in the Circular, to Mr Kunikazu Yoshimi in satisfaction of part of the purchase consideration for the Proposed Acquisition in accordance with the terms of the Agreement and the Directors of the Company be and are hereby authorised to do any and all such acts as they may, in their absolute discretion deem fit, expedient or necessary to give effect to the issue of the Consideration Shares.

By Order of the Board

Robson Lee Teck Leng /
Tan San-Ju
Company Secretaries

8 June 2006

Notes:

1. A shareholder entitled to attend and vote at the Special General Meeting is entitled to appoint another person as his proxy to attend and vote on his behalf. A shareholder who is the holder of two or more shares may appoint not more than two proxies to attend on the same occasion, with the exception of the Central Depository (Pte) Limited, who may appoint more than two proxies. A proxy need not be a shareholder of the Company.
2. The instrument appointing a proxy or proxies must be deposited at the Company’s mailing address at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd., at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315, not less than 48 hours before the time appointed for holding the Special General Meeting.

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