Courage to Challenge Customer First

Compliance Cross - Border Culture Craftsmanship

Crystal Display World Communication

Compliance Cross - Border Culture

CDW Holding Limited
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ANNUAL REPORT 2006

Cross - Border Culture
Customer First Compliance Craftsmanship Communication
Courage to Challenge Communication
Craftsmanship Compliance

What evolves from these?

Customer First
Cross - Border Culture
Courage to Challenge
Communication
Compliance
Crystal Display World
Craftsmanship

CDW

A Reliable Outsourcing Partner With Japanese Precision

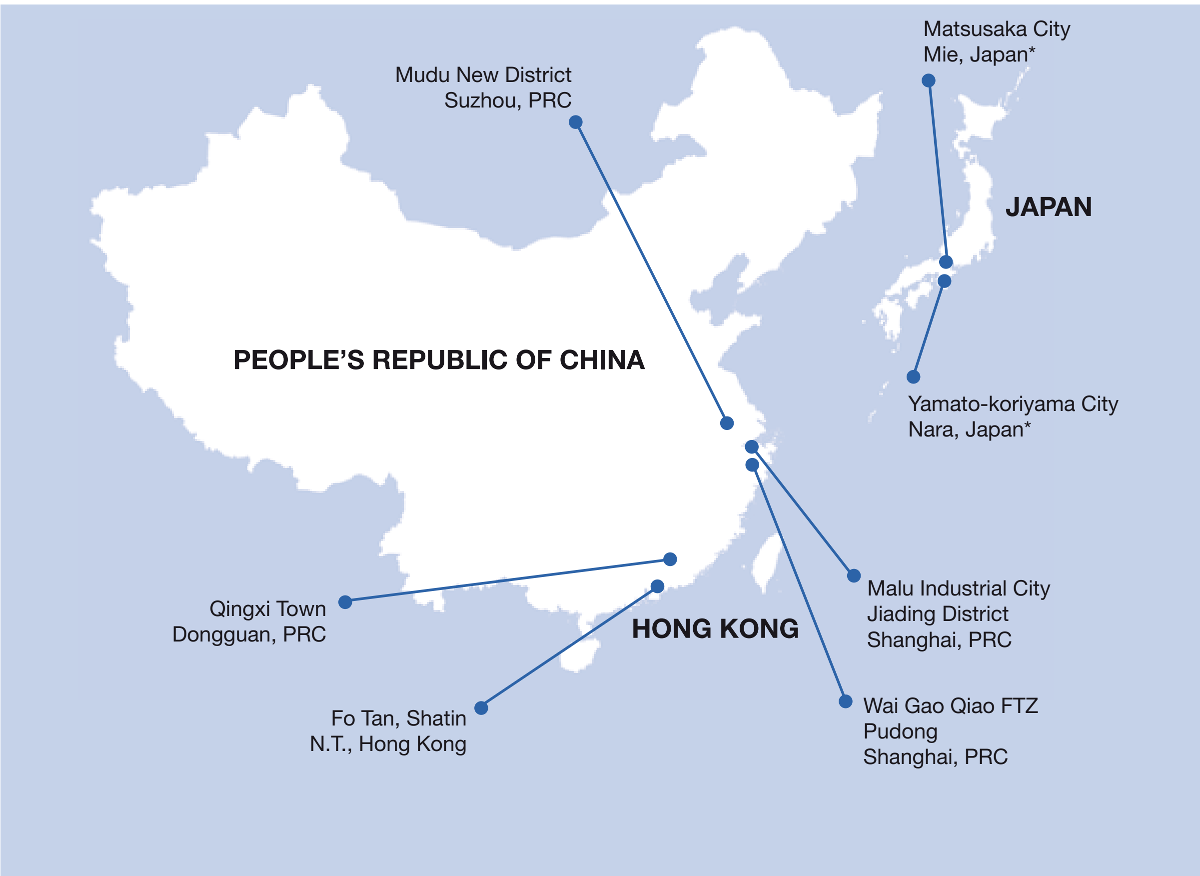
日本の技術力と信頼性を世界へ

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

Contents

Our Production Centres

Our production centres are located within the industrial and commercial belts in Shanghai, Suzhou and Dongguan, PRC. We also operate a clean room and a trading office in Hong Kong and strategically situate our production facilities near our key customers in Mie and Nara, Japan – the origin of our business.



These production centres are managed and owned by Tomoike Industrial Co., Limited of which our Group acquired controlling stake in July 2006.

Crystal Display Components (Shanghai) Co., Limited

Tomoike Electronics (Shanghai) Co., Limited

Tomoike Precision Machinery (Shanghai) Co., Limited

Corporate Milestones

1991
Our founder, Mr. Yoshimi, set up TM Hong Kong as a private trading company in Hong Kong engaged in the trading of precision accessories for the electrical and electronic appliances.

1993
The Group identified the trend of large Japanese corporations shifting their production facilities to the PRC. The Group started supplying cost efficient precision accessories sourced from Hong Kong and PRC manufacturers to them.

1996
The Group established TM Shanghai in Jiading, Shanghai to manufacture precision accessories for customers involved in the production of office equipment.

2001
CD Shanghai commenced production of LCD backlight units for colour mobile phones.

2002
The Group established CD Suzhou for the manufacture of metal and plastic frames and began to produce precision metal and plastic components for notebook monitors.

2003
The Group established TM Pudong to perform the processing functions of precision components for our LCD backlight units business.

2004
The Group set up a clean room in Hong Kong and started to produce precision accessories for the electrical and electronic appliances including LCD TVs.

2005
Shares of the Company were listed on the main board of the Singapore Stock Exchange in January.

TM Dongguan was established and commenced production of LCD backlight units for colour mobile phones and entertainment equipment in December.

July 2006
The Group acquired the controlling stake in TM Japan. TM Japan joined the Group to extend the Group's sales and marketing network in Japan, supplying precision components for LCD backlight units and related products and supplying and manufacturing precision accessories for office equipment and electrical and electronic appliances.

Crystal Display Components (Suzhou) Co., Limited

Tomoike Industrial Co., Limited

Tomoike Precision Machinery (Dongguan) Co., Limited

"The emergence of the PRC as a major global market force, coupled with closer economic and business ties with Japan, will continue to fuel the growth of CDW. The economy of the PRC has long passed the embryonic stage and the country continues to experience robust growth. CDW will continue to ride on this growth and take advantages of the numerous opportunities as they arise."

OVERVIEW

Dear Shareholders,

During FY2006 we found ourselves face with an increasingly competitive business environment, as well as a slowdown in our LCD frames division due to the model change process. We managed to achieve approximately 47.5% higher revenue to a record US$156.6 million, compared to US$106.2 million in FY2005. However, net profit attributable to equity holders declined approximately 42.2% to US$5.2 million.

Revenue growth was mainly attributed to increased orders for higher value Liquid Crystal Display ("LCD") backlight units ("BLU") used for handsets and smaller LCD devices. Our Dongguan plant benefited from this success and achieved breakeven in the second quarter of the financial year. The acquisition of Japan Tomoike Industrial Co. Limited ("Japan Tomoike") also contributed to the increased turnover of the Group. Since the consolidation of operating results in July 2006, Japan Tomoike has contributed US$13.7 million to the Group's turnover.

Our margins continued to come under pressure. Undertaking higher value projects for our LCD BLU division, which required the use of higher material cost components, also resulted in a decline in the margins. Our balance sheet remained strong with cash and cash equivalents of US$26.8 million as of 31 December 2006 with a low gearing ratio of 0.29.

We achieved several significant milestones during FY2006, including securing new LCD BLU programs for gamesets and other smaller LCD devices, as well as procuring orders from a new major handset customer. With the acquisition of Japan Tomoike, our Group will be able to maintain our competitive edge through better procurement expertise and a more extensive sales and marketing network.

OUTLOOK

Demand for our core products remains strong, driven by growing demand for handsets and gamesets. With securing our new handset customer, CDW is currently supplying indirectly to two of the three biggest mobile phone players. Our leading market position is further enhanced by our core supplier status to market leaders in the gamebox entertainment industry. We are confident of maintaining our revenue growth in FY2007.

Other continuing concerns include the appreciation of the Chinese RMB currency and the volatile Japanese yen, which may have an impact on our operating costs. More frequent model changes due to shorter product life cycles will also increase the cyclical nature of our business.

We will continue to enhance our competitive strengths through diversification. In particular, we will work to secure new product programs and expand our customer base in order to reduce reliance on just a few key customers. We will also be increasing our production capacity of LCD BLU for colour mobile phones, gamesets and other handheld devices to better service our customers in Southern China. Our new Suzhou plant will commence operations in the third quarter of 2007 to enable us to capture potential business opportunities for metal and plastic frames.

To improve our margins, we will be shifting some outsourced processes in-house to realize more cost savings and improve production efficiency. We will also be centralizing our operations and procurement activities, which will lead to shorter lead time and a leaner cost structure. To maintain our competitive edge, we will also enhance our technical capabilities and explore more business opportunities through greater collaboration between our Japan and China subsidiaries.

The long-term objective of CDW is to be the partner-supplier of choice for our customers. To do so, we must continuously strive to be at the forefront of technology changes and deliver quality all-around services.

DIVIDENDS

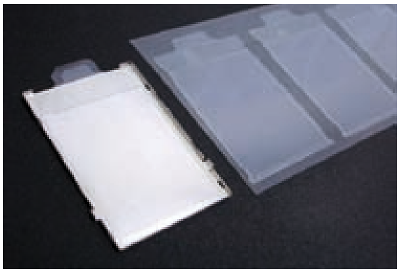
To reward our shareholders for their support over the past year, the Board of Directors is proposing a final dividend of 0.2 US cents per ordinary share, in addition to an interim dividend of 0.4 US cent per ordinary share paid on 16 October 2006. In total, this will translate to a dividend payout ratio of approximately 56.7% of net profit attributable to equity holders of the Company in FY2006, compared to a payout ratio of approximately 43.7% in FY2005.

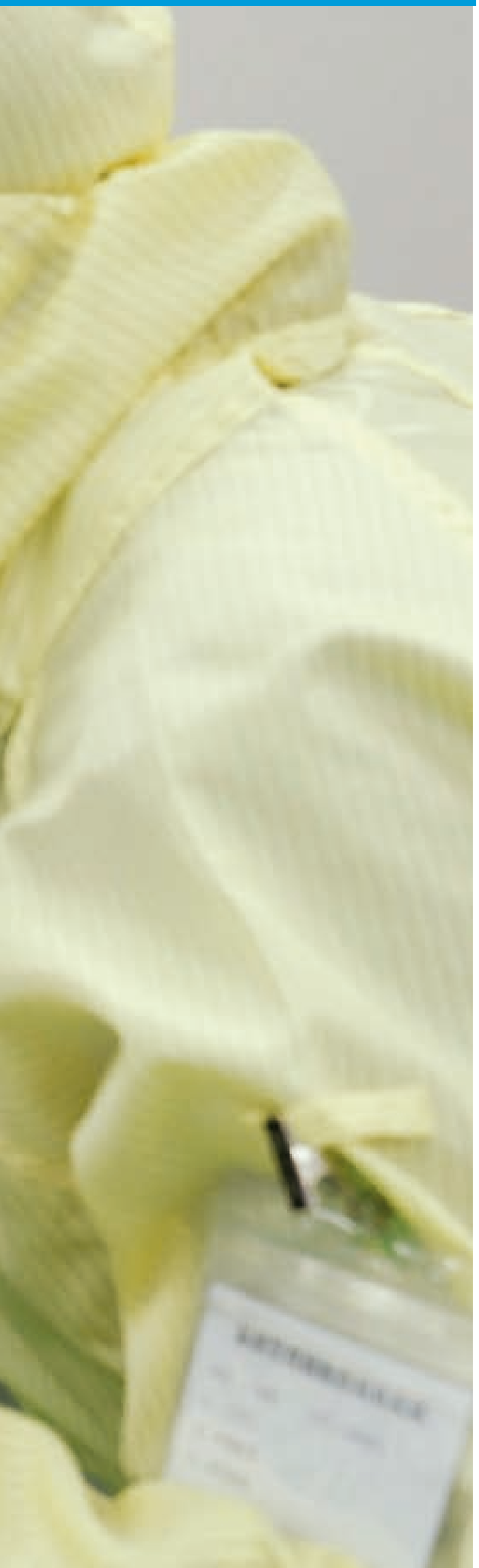
APPRECIATION

On behalf of the Board of Directors, I would like to extend our deepest appreciation to the management, staff and other professional parties for their efforts, dedication and immense contributions in realizing the significant corporate milestones in this financial year. We would also like to thank our shareholders, customers, suppliers and business partners for their valuable support during the past financial year and will look forward to your continued support in the new financial year.

Yours sincerely,

YOSHIMI Kunikazu
Chairman and CEO





developing the **market**

CDW's market strategy for its LCD Backlight Units (BLUs) Division is to further develop the mass market segment with products from its Dongguan plant while its Shanghai plant will target the niche market segment.

Group revenue rose 47.5% to US$156.6 million and gross profit grew 16.0% to US$25.3 million. However, net profit attributable to equity holders fell 42.2% to US$5.2 million.

FINANCIAL REVIEW

Profit and Loss

The Group's revenue reached a record of US$156.6 million, up approximately 47.5% compared to the previous year. Gross profit experienced a small growth of approximately 16.0% to US$25.3 million but net profit attributable to equity holders fell approximately 42.2% to US$5.2 million.

The increase in revenue was attributed to increased orders for higher value Liquid Crystal Display ("LCD") Backlight Units ("BLU") for handsets and smaller LCD devices, in addition to the consolidation of results after the acquisition of Tomoike Industrial Co., Limited ("TM Japan") in July 2006 (the "Acquisition"), which has contributed US$13.7 million to the Group's turnover.

The overall profitability of the Group last year was under pressure due to intensified competition. The margin decline was more substantial with the undertaking of higher-value projects, which required a higher material cost for the components. Overall, Group gross margin declined 4.4 percentage points to approximately 16.1%. Distribution expenses increased approximately 32.3% to US$2.9 million while administrative expenses grew approximately 60.0% to US$16.7 million as a result of business expansion and the consolidation of Japan Tomoike's results in the second half of FY2006. Net margin fell 4.9 percentage points to approximately 3.3%.

Earnings per share ("EPS") declined to 1.06 US cents, compared to 1.85 US cents in the previous year. The Board of Directors has also recommended a final dividend of 0.2 US cents per ordinary share, in addition to an interim dividend of 0.4 US cent per ordinary share paid on 16 October 2006. In total, this represents a dividend payout ratio of approximately 56.7% in FY2006 as compared to approximately 43.7% in FY2005.

Balance Sheet

As at 31 December 2006, the total assets and liabilities of the Group stood at US$103.6 million and US$50.5 million respectively. Current assets rose approximately 31.3% to US$75.0 million, mainly due to an increase in cash and bank balances, trade receivables and inventories in line with the higher sales after the Acquisition. Current liabilities also increased to US$46.1 million, from US$24.2 million last year, due to an increase in short-term bank borrowings and a rise in trade payables in line with sales after the Acquisition. The Group's property, plant and equipment rose approximately 54.2% to US$21.2 million due to the setting up of the new Suzhou plant and the inclusion of TM Japan's fixed assets after the Acquisition.

Group borrowings increased to US$13.4 million as at 31 December 2006 from US$2.9 million as at 31 December 2005 after factoring TM Japan's bank borrowings as well as the increased working capital loans for expanded business activities.

Total shareholders' equity increased to US$49.6 million as at 31 December 2006 compared to US$47.0 million in the previous year. Net asset value per share rose by approximately 5.7% to 10.16 US cents as at 31 December 2006 from 9.62 US cents as at 31 December 2005.

Key Financial Data

In US$mn	FY2006	FY2005	FY2004
Total Assets	103.6	72.8	53.7
Total Liabilites	50.5	25.8	29.2
Current Assets	75.0	57.1	40.6
Current Liabilities	46.1	24.2	26.0
Shareholders' Equity	49.6	47.0	24.5
Revenue	156.6	106.2	98.5
Profit before tax	6.1	10.1	17.1
Profit after tax	5.4	8.9	15.2
EPS (US cents)	1.1	1.9	3.8

47.5%
Revenue

16.0%
Gross Profit

OPERATIONS REVIEW

LCD Backlight Units ("LCD BLU") Division

Revenue from the core LCD BLU division achieved the largest growth of approximately 79.4% to US$93.1 million. In FY2006, the division contributed approximately 59.4% of the Group's turnover, compared to approximately 48.9% in FY2005. The growth was mainly due to the increased orders from our existing customers in the handset and gameset industries, in addition to the undertaking of higher value projects. After the recent securing of a major LCD module maker, the Group is currently supplying indirectly to two out of the three largest global mobile phone players. In terms of the LCD BLU business for gamesets, the Group has the majority market share for supplying BLUs indirectly to one of the leaders in the gaming and entertainment industry.

The robust growth in the LCD BLU division has resulted in a better performance in the Group's Dongguan plant. Since June last year, the Dongguan plant has started to break even and increased its production scale to two operating shifts, making the Group's total production capacity of 6 million units a month. At the same time, the Group's Shanghai plant has also started to produce BLUs for Global Positioning Systems ("GPS") and other small LCD devices. The production volumes of BLUs for handsets have increased from 21.6 million units in FY2005 to 27.9 million units in FY2006 while the production volumes for gamesets and other handhelds have rose from 11.4 million units in FY2005 to 14.9 million units in FY2006.

However, margin for this division was affected by pricing pressure from customers and the higher costs associated with the inclusion of additional components into higher value products. Earnings before interest and tax (EBIT) rose by approximately 8.3% to US$5.2 million.

The orderbook for this segment remained strong, boosted by the growing handsets and gamesets industries as well as the planned introduction of new models. The Group will continue to explore more opportunities to diversify into other new product programs and broaden its customer base in this segment. In the meantime, the division also has plans to further increase its production capacity in anticipation of order growth. Other ongoing projects for this segment include the incorporation in-house of some outsourced processes in order to reap better margins and the development of higher production capabilities enabled by the joint efforts of marketing and the project development between the Group's operations in Japan and China.

Operating subsidaries:

Crystal Display Components (Shanghai) Co., Limited (CD Shanghai)
Tomoike Electronics (Shanghai) Co., Limited (TM Pudong)
Tomoike Precision Machinery (Dongguan) Co., Limited (TM Dongguan)

	FY2006	*FY2005	FY2004
Revenue (US$mn)	93.1	51.9	46.6
EBIT (US$mn)	5.2	4.8	9.2
Gross floor area (sqm)	24,368	23,708	12,428
Clean room area (sqm)	7,159	6,480	4,800
Number of workers	2,828	2,373	1,599
Production capacity (units/mth)	6,000,000	6,000,000	4,000,000

*TM Dongguan comenced operations in Dec 2005
(Figures are based on December of each year)

Financial and Operations Review

LCD Frames Division

Performance for the LCD Frames division was affected due to the delayed launch of new models by our customers. Sales for this division slipped approximately 20.0% to US$14.0 million in FY2006. The slowdown in the production and the write-off of the inventories for old models resulted in a loss for the division in the second quarter. Although profitability was already restored in the fourth quarter, overall EBIT for the segment declined approximately 84.4% to US$0.5 million in FY2006.

The construction of the new Suzhou plant dedicated to LCD frame production is expected to be completed in the second quarter of FY2007. Production is targeted to commence in the third quarter this year and the expected capacity of the new plant will be double that of the current plant. Clean room facilities established in the new plant will allow the division to extend its business activities to include assembly functions and more value-added services to its customers.

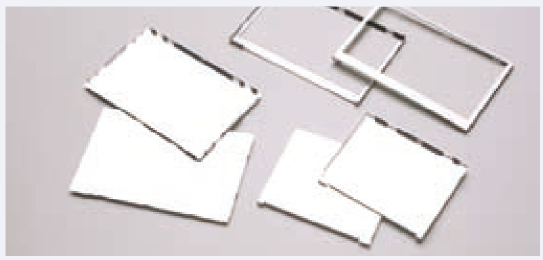
Total planned capital expenditure for the Suzhou plant amounts to approximately US$5.5 million. With the additional capacity, the Group will be in a better position to capture more business opportunities for LCD frames.

Operating subsidiaries:

Crystal Display Components (Suzhou) Co., Limited (CD Suzhou)

	FY2006	*FY2005	FY2004
Revenue (US$mn)	14.0	17.5	10.3
EBIT (US$mn)	0.5	3.2	2.6
Gross floor area (sqm)	8,160	8,160	5,440
Number of workers	689	396	419

*A new factory commenced operations from January 2005
(Figures are based on December of each year)



Precision Accessories Division

Overall, business for this division remained relatively stable in FY2006. Revenue in the Precision Accessories division increased by approximately 18.2% to US$19.5 million, supported by demand for products such as shock absorbers, insulators and labels.

Overall EBIT in FY2006 fell approximately 21.6% to US$2.9 million due to a lower margin product mix. Segmental profit for the division saw an increase in fourth quarter of FY2006 on the back of a maiden contribution from Japan Tomoike.

Going forward, the division is expected to experience greater growth due to more product programs in the pipeline and the Group's efforts to diversify its range of product offerings.

Operating subsidiaries:

Tomoike Industrial (H.K.) Limited (TM Hong Kong)
Tomoike Precision Machinery (Shanghai) Co., Limited (TM Shanghai)
Tomoike Precision Machinery (Dongguan) Co., Limited (TM Dongguan)
Tomoike Industrial Co., Limited (TM Japan)

	^FY2006	+FY2005	*FY2004
Revenue (US$mn)	19.5	16.5	13.0
EBIT (US$mn)	2.9	3.7	3.9
Gross floor area (sqm)	10,810	7,400	4,580
Number of workers	1,053	640	480

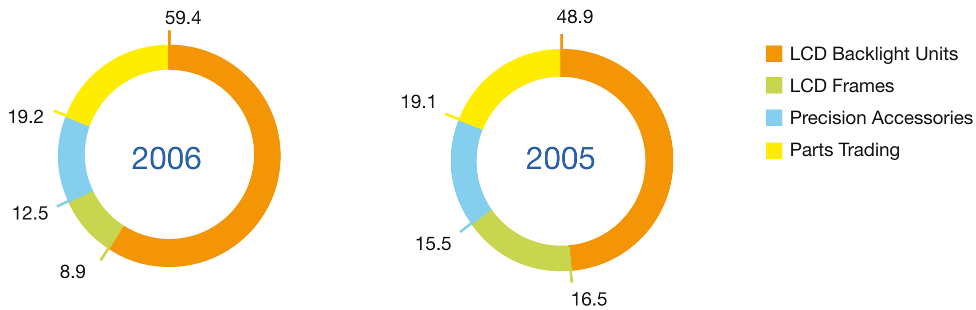
*TM Hong Kong's manufacturing operations commenced in April 2004
+TM Dongguan commenced operations in December 2005
^TM Japan's results have been consolidated since July 2006
(Figures are based on December of each year)

Parts Trading Division

Revenue in FY2006 grew approximately 47.8% to US$30.0 million mainly due to more complementary orders from the growing LCD BLU division as well as contributions from TM Japan. The percentage contribution of the division to the Group's revenue stayed relatively constant as compared to FY2005. However, the lack of new procurement projects limited any upside growth and the division remained complementary to manufacturing segments of the Group.

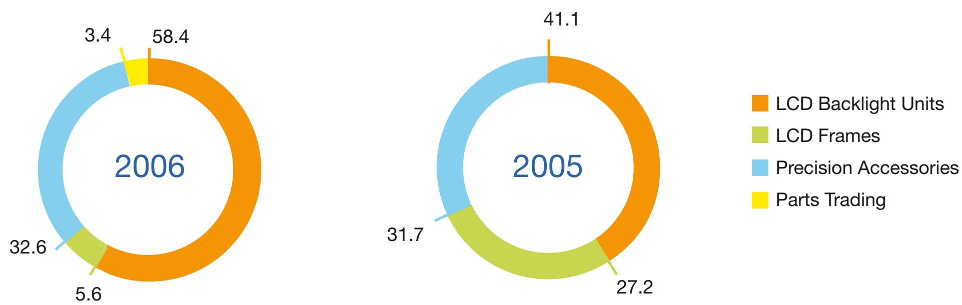
In terms of profitability, the segment also performed better than last year. EBIT in FY2006 rose to US$0.3 million, compared to a loss of US$0.1 million last year. Despite the low margins, the segment remains essential to the Group's growth as it enables the Group to offer more comprehensive solutions to its customers' outsourcing needs.

SEGMENTAL ANALYSIS



Revenue Growth

US$mn	FY2006	FY2005	%Change
LCD Backlight Units	93.1	51.9	79.4
LCD Frames	14.0	17.5	(20.0)
Precision Accessories	19.5	16.5	18.2
Parts Trading	30.0	20.3	47.8



EBIT Growth

US$mn	FY2006	FY2005	%Change
LCD Backlight Units	5.2	4.8	8.3
LCD Frames	0.5	3.2	(84.4)
Precision Accessories	2.9	3.7	(21.6)
Parts Trading	0.3	(0.1)	N/A

optimising our **scale**

The continuing integration between CDW and newly acquired Japan Tomoike will reap economies of scale, positioning us even better to face the production and marketing challenges of the LCD BLUs division.

Board of Directors

YOSHIMI Kunikazu

Chairman and Chief Executive Officer of the Group. Mr. Yoshimi founded the Group in the early 90's. He has over 26 years of experience in the manufacture and trading of precision accessories and LCD related components in Japan, Hong Kong and PRC from which he has established a close rapport and extensive working relationship with numerous multinational corporations. As the Chief Executive Officer of our Group, Mr. Yoshimi is responsible for overseeing the overall management and is directly involved in the planning and formulating of the Group's business and marketing strategies.

URANO Koichi

Executive Director of our Group appointed on 5 March 2007. Mr. Urano is in charge of the overall operations of the Group and is responsible for overall strategy, planning and development in Japan in particular. He is also actively involved in the sales and marketing, and new product development functions of the Group. He has more than 12 years of experience and knowledge of the LCD technology and has made considerable contribution towards the development of Group's business in the Japanese and overseas markets.

KIYOTA Akihiro

Executive Director of our Group. Mr. Kiyota is responsible for managing our Group's operations and planning our Group's marketing strategies. He has over 21 years of experience in sales and marketing in a number of Japanese companies at the managerial level. He joined our Group in 2000 as the Deputy General Manager of our principal subsidiary and assumed his current position in August 2004. Mr. Kiyota is also currently responsible for the overall control of our new Dongguan plant.

LAI Shi Hong, Edward

Executive Director of our Group. Mr. Lai is responsible for overseeing our finance, compliance and corporate development functions. He has more than 19 years of experience in finance, accounting and business management, specializing in stock broking and corporate finance. He was appointed in August 2004. Mr. Lai graduated from the University of Hong Kong and is currently a Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants.

NG Wai Kee

Independent Director of our Group. Mr. Ng is a professional accountant by training and a certified public accountant. He has more than 19 years of experience in accounting, auditing, taxation and corporate secretarial work. Mr. Ng graduated from the Hong Kong Shue Yan College. He is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

WONG Chak Weng

Independent Director of our Group. Mr. Wong is a practicing lawyer with more than 21 years of experience and a consultant to Soh, Wong & Yap. His areas of practice include corporate work and advising on compliance with licensing and business conduct regulations of financial service providers. Mr. Wong is also currently the Company Secretary to Prudential Asset Management (Singapore) Limited, Prudential Fund Management Services Pte Ltd, Russell Investment Group Pte Ltd, Excelics Semiconductor Singapore Pte Ltd and a charitable organization, Lutheran Community Care Services Limited.

WONG Yik Chung, John

Independent Director of our Group. Mr. Wong is a professional accountant by training with more than 17 years of experience in auditing and corporate finance work, with extensive exposure to the business enterprises in the PRC. He is currently an independent Non-executive Director of EcoGreen Fine Chemicals and the director to TMF China, a firm providing a variety of professional outsourcing solutions to an international client base investing in the PRC. Mr. Wong graduated from the University of Melbourne. He is a fellow member of the Australian Society of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He also obtained a PRC Certificate of Independent Directorship in 2002.

Key Executive Officers

CHAN Kam Wah

Head of Sales and Marketing of our Group in Hong Kong. Mr. Chan is in charge of the overall sales operations in Hong Kong. He joined our Group in 1999 and has extensive experience in the sales and marketing businesses. He also worked as a personal assistant to our CEO prior to his joining our Group. Mr. Chan graduated from Datong Institution.

DYMO Hua Cheung, Philip

Financial Controller and Head of Administration of our Group. Mr. Dymo is responsible for the overall management of our Group's financial reporting, internal control, audit functions and accounting and compliance processes. He joined our Group in 2003 and has more than 19 years of experience in the auditing and accounting profession. Mr. Dymo graduated from the University of Birmingham and is a member of the Hong Kong Institute of Certified Public Accountants.

SAKAI Akira

Head of Human Resources of our Group. Mr. Sakai is responsible for overseeing the personnel management and the human resource affairs of the Group in Hong Kong and the PRC. He formerly served in various departments of a prominent Japanese multi-national corporation for nearly 30 years and has extensive experiences in production, quality control, procurement and personnel management. Mr. Sakai is the brother-in-law of the Chairman and Chief Executive Officer, Mr. Yoshimi.

LEE Haeng Jo (also known as MORIYAMA Kozo)

Head of Production of our Group. Mr. Lee is responsible for overseeing the production facilities of the Group in Hong Kong and the PRC. He was formerly engaged in our LCD backlight units division in Shanghai on a consultancy basis and contributed significantly to the success of this division. Mr. Lee has more than 10 years of experience in sales and marketing in Japan.

Company Secretaries

SHINJO Kunihiko

Head of Finance (Group Coordinator) of our Group. Mr. Shinjo is responsible for coordinating financial activities across the Group and establishing relationships with financial institutions overseas. He has more than 20 years of experience in accounting, financial control, treasury management and tax compliance in Japan. He joined our Group as the Branch Manager of Osaka Representative Office of our Group in 2005.

EGUCHI Yasunori

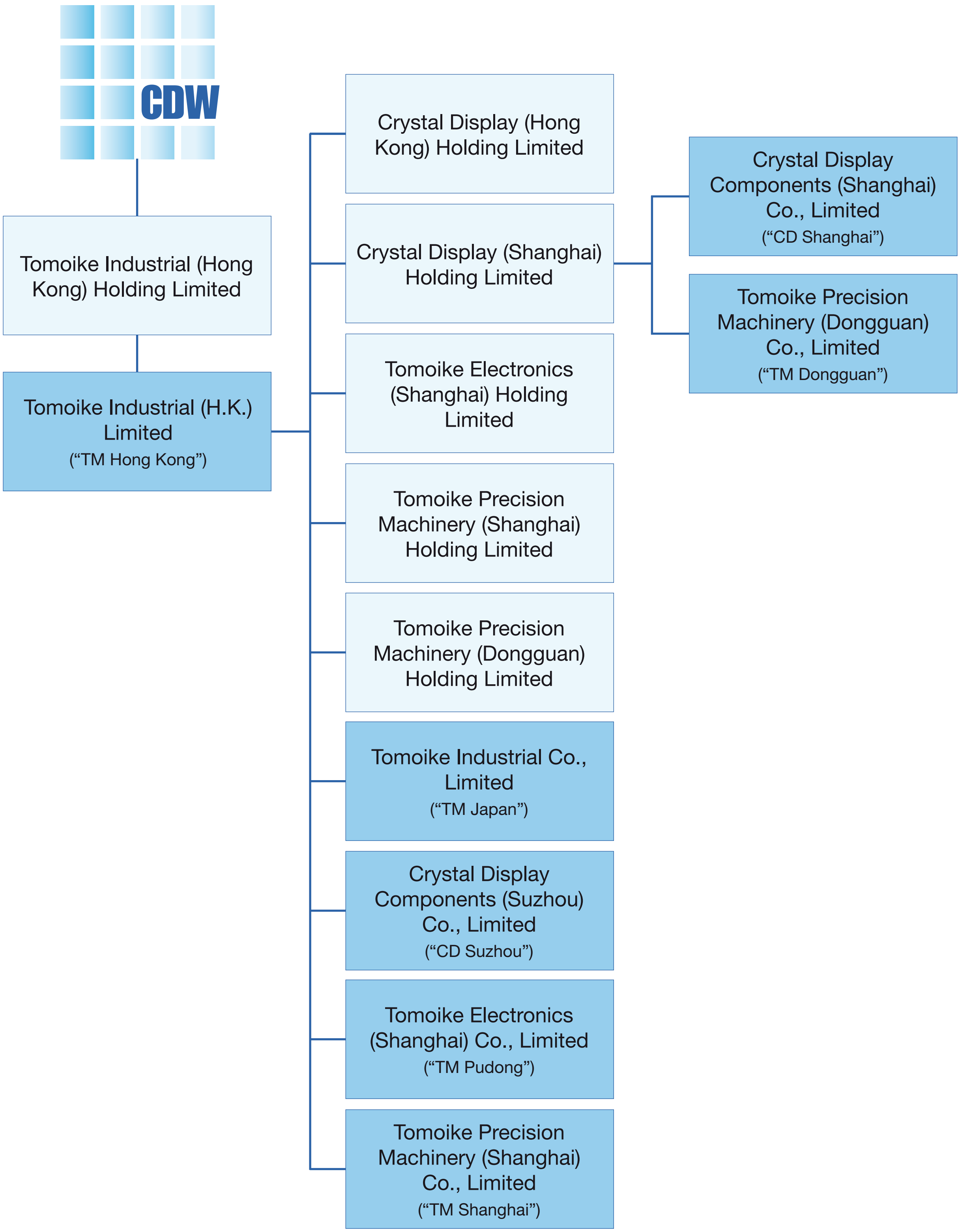
Head of Operations (Project Coordination) of the Group. Mr. Eguchi is responsible for coordinating various business functions and ad hoc projects in the Group. He graduated with a Bachelor of Engineering from the University of Saga. He has over 18 years of experience in project management in charge of numerous large-scale projects overseas, of which he has assumed senior management position for more than 12 years.

LEE Teck Leng Robson

Joint Company Secretary. Mr. Lee is Partner in Shook Lin & Bok's corporate finance & international finance practice and has been with the firm since 1994. He obtained an LLB (2nd Class Upper Hons) from the National University of Singapore. He has structured a number of corporate finance transactions and advises public listed companies on securities and capital markets transactions, cross-border mergers and acquisitions and foreign joint ventures. He is also a partner in the firm's China practice and focuses on cross-border corporate transactions in the People's Republic of China. Mr. Lee holds independent and non-executive directorships in a number of public listed companies in Singapore, and is an active community service leader in Singapore.

TAN San-Ju

Joint Company Secretary. Ms. Tan is Fellow of the Institute of Chartered Secretaries & Administrators (UK) and a member of the Singapore Association of the Institute of Chartered Secretaries & Administrators (SAICSA). Ms. Tan also holds a Practising Certificate from SAICSA. She has more than 20 years experience in corporate secretarial work. She is currently Director of Lim Associates (Pte) Ltd, subsidiary of Boardroom Limited, a company listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"), which provides corporate secretarial services and share registration services. Ms. Tan is also currently the Company Secretary of several companies listed on the mainboard of SGX-ST.


CDW
Tomoike Industrial (Hong Kong) Holding Limited
Tomoike Industrial (H.K.) Limited ("TM Hong Kong")
Crystal Display (Hong Kong) Holding Limited
Crystal Display (Shanghai) Holding Limited
Tomoike Electronics (Shanghai) Holding Limited
Tomoike Precision Machinery (Shanghai) Holding Limited
Tomoike Precision Machinery (Dongguan) Holding Limited
Tomoike Industrial Co., Limited ("TM Japan")
Crystal Display Components (Suzhou) Co., Limited ("CD Suzhou")
Tomoike Electronics (Shanghai) Co., Limited ("TM Pudong")
Tomoike Precision Machinery (Shanghai) Co., Limited ("TM Shanghai")
Crystal Display Components (Shanghai) Co., Limited ("CD Shanghai")
Tomoike Precision Machinery (Dongguan) Co., Limited ("TM Dongguan")

Corporate Information

Management Team

Board of Directors

Chairman and Chief Executive Officer

YOSHIMI Kunikazu

Executive Director

URANO Koichi

KIYOTA Akihiro

LAI Shi Hong, Edward

Independent Director

NG Wai Kee

WONG Chak Weng

WONG Yik Chung, John

Key Executive Officers

CHAN Kam Wah

DYMO Hua Cheung, Philip

SAKAI Akira

LEE Haeng Jo (also known as MORIYAMA Kozo)

SHINJO Kunihiko

EGUCHI Yasunori

Company Secretaries

LEE Teck Leng, Robson, LLB (Hons)

TAN San-Ju, FCIS

Audit Committee

NG Wai Kee (Chairman)

WONG Chak Weng

WONG Yik Chung, John

Remuneration Committee

WONG Yik Chung, John (Chairman)

NG Wai Kee

WONG Chak Weng

Nominating Committee

WONG Chak Weng (Chairman)

LAI Shi Hong, Edward

NG Wai Kee

WONG Yik Chung, John

Assistant Secretary

Appleby Corporate Services (Bermuda) Ltd.

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Bermuda Company Registration Number

35127

Registered Office

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal Office

Units 1617 to 1621, 16th Floor

Tower II Grand Central Plaza

138 Sha Tin Rural Committee Road

Shatin, New Territories, Hong Kong

Singapore Share Transfer Agent

Lim Associate (Pte) Ltd

3 Church Street #08-01

Samsung Hub

Singapore 049483

Bermuda Share Registrar

Reid Management Limited

Argyle House

41a Cedar Avenue

Hamilton HM12

Bermuda

Auditors

Deloitte & Touche

Certified Public Accountants

6 Shenton Way #32-00

DBS Building Tower Two

Singapore 068809

Audit Partner: Wong-Yeo Siew Eng

Date of appointment: 5 August 2004

Financial Contents

Corporate Governance Report

for the financial year ended 31 December 2006

The Board of Directors of CDW Holding Limited (the "Board") recognizes the importance of and is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") so as to enhance transparency and protect the interests of the Company's shareholders.

This report describes the corporate governance practices of the Company, with specific reference to the principles set out in the Code of Corporate Governance (the "Code") prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST").

BOARD MATTERS

Principal 1: Board's Conduct of its Affairs

The members of the Board for the financial year 2006 and as at the date of this report are as follows:

YOSHIMI Kunikazu	(Chairman and Chief Executive Officer)
KIYOTA Akihiro	(Executive Director)
URANO Koichi	(Executive Director) – Appointed on 5 March 2007
LAI Shi Hong, Edward	(Executive Director)
KOH Kuek Chiang	(Non-executive Director) – Resigned on 18 November 2006
NG Wai Kee	(Independent Director)
WONG Chak Weng	(Independent Director)
WONG Yik Chung, John	(Independent Director)

The Board plays an effective role in leading and controlling the long-term corporate goals and strategies of the Group. Besides performing the statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves important business decisions involving the corporate and strategic directions of the Group. In regard to the financial issues, the Board is responsible for reviewing periodic financial reports to assess its financial performance and implementing policies which include risk management and internal controls and compliance. In addition, the Board also approves nomination of directors to the Board and the appointment of key management personnel. These functions are carried out either directly or through delegations to various Board Committees including the Audit Committee, Nominating Committee and Remuneration Committee.

Decisions by the full Board are required for matters which involve a potential conflict of interest for a substantial shareholder or a Director, and other major corporate matters such as material acquisitions and disposal of assets, corporate or financial restructuring, share issuance, dividend declarations, and the approval of financial results which requires public disclosures.

Formal Board meetings will be held at least four times a year to oversee the business affairs of the Group, and to approve, if applicable, any matters in relation to its financial or business affairs. Ad-hoc meetings will be convened when the circumstances require. The Company's Bye-laws allow a Board meeting to be conducted by way of teleconference and videoconference.

The number of meetings held by the Board and Board Committees and attendance for the financial year 2006 are as follows:

DIRECTORS	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
YOSHIMI Kunikazu	4	4	–	–	–	–	–	–
KIYOTA Akihiro	4	4	–	–	–	–	–	–
LAI Shi Hong, Edward	4	4	–	–	2	2	–	–
KOH Kuek Chiang (Note)	4	4	7	7	2	2	2	2
NG Wai Kee	4	4	7	7	2	2	2	2
WONG Chak Weng	4	4	7	7	2	2	2	2
WONG Yik Chung, John	4	4	7	6	2	1	2	2

Note: KOH Kuek Chiang resigned on 18 November 2006.

In addition, the Directors will receive, from time to time, when appropriate further relevant training, in particular on the applications of new laws and regulations as well as the changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular meetings and gatherings.

Principle 2: Board Composition and Balance

Presently, the Board comprises four Executive Directors (including the CEO) and three Independent Directors. The independence of each Director will be reviewed annually by the Nominating Committee with reference to the circumstances set forth in the Code and any other salient factors.

The Board will constantly evaluate its size and determine what it considers to be an appropriate size having regard to the principle of facilitating effective decision-making processes for the Group. The Nominating Committee will also review the composition of the Board on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

The Board, in consideration of the complexity and nature of operations of the Company, considers its current size to be adequate for effective decision-making. A summary of the academic and professional qualifications and other appointments of each Director is set out on pages 14 and 15 of this annual report.

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

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person so that the decision-making process of the Group would not be unnecessarily hindered.

The Group's Chairman and CEO, YOSHIMI Kunikazu, who is also the founder, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. Mr. Yoshimi is responsible for the day to day operations of the Group, as well as monitoring the quality, quantity and timeliness of information flow between the Board and the management.

The Board considers that there are adequate safeguards and check to ensure that the decision making process by the Board is based on collective actions and is independent from any influence from an individual having an uneven concentration of power and authority. For example, all major decisions made by the Chairman and CEO will have to be submitted for endorsement by the entire Board. The Remuneration Committee reviews the remuneration package of our Chairman and CEO, which has to be endorsed by the entire Board.

BOARD COMMITTEES

Nominating Committee ("NC")

Principle 4: Board Membership

Principle 5: Board Performance

The NC comprises all the three Independent Directors namely WONG Chak Weng, WONG Yik Chung, John, NG Wai Kee and Executive Director, LAI Shi Hong, Edward, and is chaired by WONG Chak Weng. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

According to the written terms of reference of the NC, the NC performs the following functions:

(a) to make recommendations to the Board on all board appointments, including re-nominations, having regard, to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;

(b) to determine annually whether or not a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;

(c) in respect of a Director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple Boards; and

(d) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholders' value.

All Directors are subject to the provisions of the Company's Bye-laws whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every annual general meeting ("AGM").

The NC will assess the effectiveness of the Board as a whole and the respective contribution of each Director annually. In this regard, the NC will consider a number of factors based on an objective evaluation criteria, including the achievement of certain financial targets, the performance of the Board, and the performance of individual Director's vis-à-vis attendance and contributions during Board meetings, etc.

Though some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention have been given by the Directors to the Group.

Principle 6: Access to information

The members of the Board, in their individual capacity, have access to complete information on a timely basis and in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, the members of the Board will be provided with management reports containing complete, adequate and timely information, and other relevant documents and explanatory information required to support the decision-making process.

The Board has direct and independent access to senior management and the Company Secretaries at all times. The Company Secretaries who administer, attend and prepare minutes of Board meetings, assist the Chairman in ensuring that the Board meeting procedures are properly followed and the Company's Bye-laws and relevant rules and regulations, including requirements, of the Companies Act (Chapter 50) of Singapore and the SGX-ST are complied with.

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises all the three Independent Directors namely WONG Yik Chung, John, NG Wai Kee and WONG Chak Weng and is chaired by WONG Yik Chung, John. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

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

(a) to recommend the Board a framework of remuneration for members of the Board, and to determine specific remuneration packages for each Executive Director and the CEO (or executive of equivalent rank) if the CEO is not an Executive Director, such recommendation to be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, and benefits-in-kind;

(b) in the case of service contracts, to consider what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of other long-term incentive schemes (if any) including share option or share schemes as may be implemented, to consider whether Directors should be eligible for benefits under such long-term incentive schemes.

The RC may obtain independent external legal and other professional advice as it deems necessary for making appropriate decisions. The expenses of such advice shall be borne by the Company.

The RC has established a framework of remuneration for the Board and key executives covering all aspects of remuneration including directors' fees, salaries, allowances, bonuses, long-term incentives schemes and benefits-in-kind.

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with the required experience and expertise to manage the business and operations of the Group. The remuneration paid to the Directors and executive officers for services rendered during the year ended 31 December 2006 are as follows:

Director's Remuneration

Remuneration band and Name of Director	Salary	Benefits-in-kind	Directors' Fees	Share options
S$500,000 to S$749,999				
YOSHIMI Kunikazu	89%	11%	–	–
S$250,000 to S$499,999				
KIYOTA Akihiro	63%	13%	–	24%
LAI Shi Hong, Edward	68%	–	–	32%
Below S$250,000				
NG Wai Kee	–	–	100%	–
WONG Chak Weng	–	–	100%	–
WONG Yik Chung, John	–	–	100%	–

Remuneration of top five Key Executive Officers (not being Directors)

Remuneration band and Name of Key Executive Officer	Salary	Benefits-in-kind	Directors' Fees	Share options
S$250,000 to S$499,999				
DYMO Hua Cheung, Philip	67%	–	–	33%
Below S$250,000				
CHAN Kam Wah	64%	13%	–	23%
KURODA Tatsuro	66%	13%	–	21%
LEE Haeng Jo	99%	1%	–	–
SAKAI Akira	80%	20%	–	–

The remuneration of the Independent Directors is in the form of a fixed fee which will be subject to approval at the AGM.

The Company has entered into service agreements with the CEO and all Executive Directors. The terms of the appointment are for two years each, unless otherwise terminated by either party giving not less than three months' written notice. Their compensation packages consist of salary, bonus, and performance awards that are dependent on the Group's and their individual performance.

One of the employees, whose remuneration exceeded $150,000 but less than $250,000 during the year, is a relative of YOSHIMI Kunikazu, the Chairman and CEO of the Company.

The Company has a share option scheme known as CDW Holding Share Option Scheme (the "Scheme") which was approved by shareholders of the Company on 8 November 2004. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The Scheme will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Scheme is administered by the RC. No share option has been granted under the Scheme during the year.

Principle 10: Accountability

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

Audit Committee ("AC")

Principle 11: Audit Committee

Our AC comprises all the three Independent Directors namely, NG Wai Kee, WONG Chak Weng and WONG Yik Chung, John and is chaired by NG Wai Kee. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The Board is of the view that the AC members have the relevant expertise to discharge the function of an AC.

The AC will assist the Board with regard to discharging its responsibility to safeguard our Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that our management has created and maintained an effective control environment in our company, and that our management demonstrates and stimulates the necessary aspect of our Group's internal control structure among all parties.

According to the written terms of reference of the AC, the AC performs the following functions:

(a) to review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;

(b) to review the quarterly and annual financial statements and balance sheet and profit and loss accounts before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(c) to review the internal controls and procedures and to ensure co-ordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and to discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);

(d) to consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

(e) to review transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

(f) to undertake such other reviews and projects as may be requested by our Board of Directors and will report to our Board of Directors its findings from time to time on matters arising and requiring the attention of our AC; and

(g) generally to undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Besides, the AC will review all interested person transactions between the Group and Tomoike industrial Co., Limited in accordance with the guidelines and procedures under the Shareholders' Mandate approved by the shareholders at the Annual General Meeting held on 28 April 2006 (the "IPT Shareholders' Mandate").

Apart from the duties listed above, our AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or infringement of any Singapore and other applicable law, rule or regulation which has or is likely to have material impact on our Company's operating results and/or financial position.

The AC meets at least quarterly and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

The AC has been given full access to and is provided with the co-operation of the Company's management. In addition, the AC has independent access to external auditors. The AC meets with the external auditors without the presence of management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

The AC is in the process of establishing the whistle-blowing policy where staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions.

Principle 12: Internal Controls

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard shareholders' interest and maintain accountability of its assets. While no cost-effective internal control system will preclude errors and irregularities, the Group's internal controls and systems have been designated to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication, are reasonable and accurate.

Based on its review of internal controls, the AC is of the view that there are adequate internal controls in the Group.

Principle 13: Internal Audit

The Company has engaged Baker Tilly Hong Kong to carry out the internal audit functions for the Group. The focus of the internal audit function is to strengthen the internal control structure and risk management of the Group through the conduct of independent and objective reviews. The AC has reviewed the internal audit reports on a quarterly basis.

Principles 14 and 15: Communication with Shareholders

The Board is mindful of the obligation to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. The Company disseminates its latest corporate news, strategies and announcements promptly through SGXNET, press releases, various media as well as our investor relations consultant's network. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period. The Company does not practise selective disclosure.

All shareholders of the Company will receive the annual report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Bye-laws allows a shareholder of the Company holding two or more shares to appoint not more than two proxies to attend and vote at general meetings. The chairpersons of the Audit, Nominating and Remuneration Committees will be present and available to address questions at the AGM. The external auditors will also present to assist the Directors in addressing any relevant queries from the shareholders.

MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer or any Directors or controlling shareholders subsisting as at and during the year ended 31 December 2006.

RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

DEALINGS IN SECURITIES

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

The Company has complied with its Best Practices Guide on Securities Transactions.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The aggregate value of interested person transactions entered into during the year under review is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
1. Tomoike Industrial Co., Limited ("Japan Tomoike")	US$'000	US$'000
Purchases of raw materials and semi-finished goods from Japan Tomoike(Note)	–	22,115
Assembly of LCD backlight units and its related components and precision accessories for office and electrical appliances to Japan Tomoike (Note)	–	14,448
2. J&T Flex Technology Co., Limited ("J&T")		
Purchase of parts for trading from J&T	830	–
3. Mikuni Co., Limited		
Support services and marketing services to Japan Tomoike	225	–
Total	**1,055**	**36,563**

Note:

These transactions are ongoing interested person transactions conducted pursuant to the IPT Shareholders' Mandate approved on 8 November 2004 and subsequently renewed on 28 April 2005 and 28 April 2006 by the independent shareholders. The Company intends to continue these transactions with Japan Tomoike and proposes to renew the existing IPT Shareholders' Mandate in its AGM. Please refer to the Appendix for further details with respect to the proposed renewal for the IPT Shareholders' Mandate.

The directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

YOSHIMI Kunikazu
KIYOTA Akihiro
LAI Shi Hong, Edward
NG Wai Kee
WONG Yik Chung, John
WONG Chak Weng
URANO Koichi (Appointed on 5 March 2007)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 5 of the Report of the Directors.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations except as follows:

	Direct interests			Deemed interests		
Names of directors and companies in which interests are held	**At beginning of year**	**At 31 December 2006**	**At 21 January 2007**	**At beginning of year**	**At 31 December 2006**	**At 21 January 2007**
The Company						
– Ordinary shares of US$0.02 each						
YOSHIMI Kunikazu	–	–	–	268,680,000	248,680,000	248,680,000
KIYOTA Akihiro	200,000	200,000	200,000	–	–	–
LAI Shi Hong, Edward	200,000	200,000	200,000	–	–	–
WONG Yik Chung, John	100,000	100,000	100,000	–	–	–

Mr Yoshimi is deemed to have an interest in 248,680,000 ordinary shares of the Company held by Mikuni Co., Limited by virtue of his shareholding in Mikuni Co., Limited.

Names of directors and companies in which interests are held	Direct interests: At date of acquisition of TM Japan	Direct interests: At 31 December 2006	Direct interests: At 21 January 2007	Deemed interests: At date of acquisition of TM Japan	Deemed interests: At 31 December 2006	Deemed interests: At 21 January 2007
Tomoike Industrial Co., Limited ("TM Japan")						
– Ordinary shares						
YOSHIMI Kunikazu	56,800	56,800	56,800	–	–	–

On 1 July 2006, a subsidiary of the Company acquired a total of 42,000 shares in Tomoike Industrial Co., Limited ("TM Japan") from Mr Yoshimi and his relatives at an aggregate consideration of JPY 449.4 million. These shares together with 18,000 shares acquired from the key management of TM Japan give the Group a controlling interest of 51.37% in the issued and paid-up share capital of TM Japan. The above 56,800 shares in TM Japan represent the remaining 48.63% of the total issued and paid-up share capital of TM Japan held by Mr Yoshimi. The acquisition of the remaining 48.63% stake under the terms of a share purchase agreement is expected to complete in 2007. Additional information relating to this acquisition is provided in Note 34(iii) to the financial statements.

The Company	Options to subscribe for ordinary shares: At beginning of year	Options to subscribe for ordinary shares: At end of year
KIYOTA Akihiro	3,416,000	3,416,000
LAI Shi Hong, Edward	3,416,000	3,416,000

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) Options to take up unissued shares

The Company adopted the CDW Holding Share Option Scheme (the "Scheme") which was approved by the shareholders of the Company pursuant to resolutions passed on 8 November 2004. The Scheme will provide an opportunity for our employees and executive directors to participate in the equity of the Company.

The rules of the Scheme are set out in the Company's Prospectus dated 14 January 2005 and in Note 21 to the financial statements. Qualified persons who are also the Company's controlling shareholders or their associates may not participate in the Scheme. The options grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to the market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the closing prices of the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") on the five days immediately preceding the date of the grant of the option.

5 SHARE OPTIONS - continued

The Scheme is administered by the Remuneration Committee ("RC"), which comprises the following four Directors:

WONG Yik Chung, John	(Chairman of the RC and Independent Director)
NG Wai Kee	(Independent Director)
WONG Chak Weng	(Independent Director)
KOH Kuek Chiang	(Non-executive Director) – Resigned on 18 November 2006

(b) Unissued shares under options exercised

The number of shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. Share options granted during the financial year and the number of outstanding share options under the Scheme are as follows:

Date of grant	Balance at 1 January 2006	Granted	Exercised	Lapsed	Balance at 31 December 2006	Exercise price per share	Exercisable period
12.9.2005	18,056,000	–	–	–	18,056,000	S$0.305	12 September 2006 to 11 September 2010

All the options were granted to employees of related corporations, making it a total of 18,056,000 options granted from the commencement of the Scheme to the end of the financial year.

Holders of the above share options have no right to participate in any share issues of any other company. No employee or employee of related corporations has received 5% or more of the total options available under this scheme.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual).

The information on directors of the Company participating in the Scheme is as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
KIYOTA Akihiro	3,416,000	3,416,000	–	–	3,416,000
LAI Shi Hong, Edward	3,416,000	3,416,000	–	–	3,416,000

6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by NG Wai Kee, an independent director, and includes WONG Yik Chung, John, WONG Chak Weng and KOH Kuek Chiang (resigned on 18 November 2006) of which KOH Kuek Chiang was a non-executive director and the other three are independent directors. The Audit Committee has met 7 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) the audit plans and results of an independent firm's examination and evaluation of the Group's systems of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditors' report on those financial statements;

d) the quarterly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

e) the co-operation and assistance given by the management to the Group's external and internal auditors; and

f) the re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

7 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

YOSHIMI Kunikazu Chairman and Chief Executive Officer	LAI Shi Hong, Edward Executive Director

Hong Kong
23 March 2007

Independent Auditors' Report

to the Members of CDW Holding Limited

We have audited the accompanying financial statements of CDW Holding Limited (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2006, the profit and loss statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 81.

Directors' Responsibility

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2006 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche
Certified Public Accountants

WONG-YEO Siew Eng
Partner
Appointed on 5 August 2004

Singapore
23 March 2007

Balance Sheets

As at 31 December 2006

	Note	Group 2006 US$'000	Group 2005 US$'000	Company 2006 US$'000	Company 2005 US$'000 (restated)
ASSETS					
Current assets					
Cash and bank balances	6	26,836	22,070	91	91
Trade and other receivables	7	33,193	24,395	9	6,040
Inventories	8	13,977	10,622	–	–
Pledged bank deposits	6	1,016	–	–	–
Total current assets		75,022	57,087	100	6,131
Non-current assets					
Pledged bank deposits	6	–	1,933	–	–
Goodwill	9	3,569	–	–	–
Investments	10	1,979	–	–	–
Other assets	11	1,295	–	–	–
Amount due from subsidiary	12	–	–	18,077	12,392
Property, plant and equipment	13	21,221	13,758	–	–
Subsidiaries	14	–	–	10,184	9,740
Deferred tax assets	20	471	–	–	–
Total non-current assets		28,535	15,691	28,261	22,132
Total assets		103,557	72,778	28,361	28,263
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other borrowings	16	11,278	1,659	–	–
Trade and other payables	17	34,163	22,042	164	148
Current portion of finance leases	18	388	111	–	–
Income tax payable		301	363	–	–
Total current liabilities		46,130	24,175	164	148
Non-current liabilities					
Bank and other borrowings	16	2,079	1,289	–	–
Finance leases	18	465	217	–	–
Retirement benefit obligations	19	542	–	–	–
Deferred tax liabilities	20	1,253	132	–	–
Total non-current liabilities		4,339	1,638	–	–
Capital and reserves					
Share capital	22	9,760	9,760	9,760	9,760
Reserves		39,873	37,205	18,437	18,355
Equity attributable to equity holders of the Company		49,633	46,965	28,197	28,115
Minority interests		3,455	–	–	–
Total equity		53,088	46,965	28,197	28,115
Total liabilities and equity		103,557	72,778	28,361	28,263

Consolidated Profit and Loss Statement

Year ended 31 December 2006

	Note	Group 2006 US$'000	Group 2005 US$'000
Revenue	24	156,586	106,173
Cost of sales		(131,298)	(84,370)
Gross profit		25,288	21,803
Other operating income	26	962	1,174
Distribution costs		(2,897)	(2,190)
Administrative expenses		(16,704)	(10,438)
Finance costs	27	(552)	(296)
Profit before tax	28	6,097	10,053
Income tax expense	29	(682)	(1,111)
Profit for the year		5,415	8,942
Attributable to:			
Equity holders of the Company		5,168	8,942
Minority interests		247	–
		5,415	8,942
Earnings per share (US cents)			
Basic	32	1.06	1.85

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

				Note 23									
	Share capital	Share premium of the Company	Share option reserve	Merger Reserve	Reserve Fund	Enteprise Expansion Fund	Staff Welfare Fund	Revaluation reserve	Currency translation reserve	Accumulated profits	Attributable to equity holders of the Company	Minority interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group													
Balance at 1 January 2005	8,000	1,642	–	(7,020)	387	302	–	–	–	21,153	24,464	–	24,464
Currency translation differences	–	–	–	–	–	–	–	–	681	–	681	–	681
Net income recognised directly in equity	–	–	–	–	–	–	–	–	681	–	681	–	681
Profit for the year	–	–	–	–	–	–	–	–	–	8,942	8,942	–	8,942
Total recognised income and expense for the year	–	–	–	–	–	–	–	–	681	8,942	9,623	–	9,623
Transfer	–	–	–	–	945	–	1,155	–	–	(2,100)	–	–	–
Issue of 88,000,000 ordinary shares of US$0.02 each pursuant to its initial public offer	1,760	16,012	–	–	–	–	–	–	–	–	17,772	–	17,772
Share-based payment expense	–	–	98	–	–	–	–	–	–	–	98	–	98
Dividends paid (Note 30)	–	–	–	–	–	–	–	–	–	(4,992)	(4,992)	–	(4,992)
Balance at 1 January 2006	9,760	17,654	98	(7,020)	1,332	302	1,155	–	681	23,003	46,965	–	46,965
Gains on fair value changes for available-for-sale investments	–	–	–	–	–	–	–	12	–	–	12	–	12
Currency translation differences	–	–	–	–	–	–	–	–	–	–	948	–	948
Net income recognised directly in equity	–	–	–	–		–	–	12	–	–	960	–	960
Profit for the year	–	–	–	–	–	–	–	–	–	5,168	5,168	247	5,415
Total recognised income and expense for the year	–	–	–	–	–	–	–	12	948	5,168	6,128	247	6,375
Transfer	–	–	–	–	1,103	–	2	–	–	(1,105)	–	–	–
Minority interests in relation to the acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	3,208	3,208
Share-based payment expense	–	–	444	–	–	–	–	–	–	–	444	–	444
Dividends paid (Note 30)	–	–	–	–	–	–	–	–	–	(3,904)	(3,904)	–	(3,904)
Balance at 31 December 2006	9,760	17,654	542	(7,020)	2,435	302	1,157	12	1,629	23,162	49,633	3,455	53,088

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000 (restated)	Accumulated profits US$'000	Total US$'000
Company					
Balance at 1 January 2005	8,000	1,642	–	–	9,642
Net profit for the year	–	–	–	5,595	5,595
Total recognised income and expense for the year	–	–	–	5,595	5,595
Issue of 88,000,000 ordinary shares of US$0.02 each pursuant to its initial public offering	1,760	16,012	–	–	17,772
Recognition of share-based payments (Note 31)	–	–	98	–	98
Dividends paid (Note 30)	–	–	–	(4,992)	(4,992)
Balance at 31 December 2005	9,760	17,654	98	603	28,115
Net profit for the year	–	–	–	3,542	3,542
Total recognised income and expense for the year	–	–	–	3,542	3,542
Recognition of share-based payments	–	–	444	–	444
Dividends paid (Note 30)	–	–	–	(3,904)	(3,904)
Balance at 31 December 2006	9,760	17,654	542	241	28,197

Consolidated Cash Flow Statement

Year ended 31 December 2006

	Group	
	2006	2005
	US$'000	US$'000
Operating activities		
Profit before tax	6,097	10,053
Adjustments for:		
Depreciation of property, plant and equipment	2,833	2,061
Interest income	(344)	(256)
Interest expense	552	296
Loss (Gain) on disposal of property, plant and equipment	10	(1)
Allowances for, and write-down of inventories	201	142
Share-based payment expense	444	98
Retirement benefit obligations	40	–
Gain on disposal of other assets	(2)	–
Operating cash flows before working capital changes	9,831	12,393
Trade and other receivables	4,248	(2,976)
Inventories	(1,731)	(4,965)
Trade and other payables	(1,645)	5,258
Cash generated from operations	10,703	9,710
Net income tax paid	(2,110)	(1,642)
Interest paid	(552)	(296)
Net cash from operating activities	8,041	7,772
Investing activities		
Net cash outflow on acquisition of subsidiary (Note B)	(1,540)	–
Proceeds on disposal of property, plant and equipment	303	398
Proceeds on disposal of other assets	8	–
Purchase of property, plant and equipment (Note A)	(6,042)	(6,032)
Interest income received	344	256
Net cash used in investing activities	(6,927)	(5,378)
Financing activities		
Decrease in pledged bank deposits	917	1,284
Proceeds from bank borrowings	65,701	6,322
Repayment of finance leases	(388)	(133)
Repayment of bank borrowings	(59,152)	(14,566)
Dividend paid	(3,904)	(5,014)
Net proceeds from issue of shares	–	17,772
Net cash from financing activities	3,174	5,665
Net increase in cash and cash equivalents	4,288	8,059
Cash and cash equivalents at beginning of year (Note 6)	22,070	13,517
Net effect of currency translation differences	478	494
Cash and cash equivalents at end of year (Note 6)	26,836	22,070

Note

A: The Group acquired property, plant and equipment with aggregate cost of approximately US$6,404,000 (2005: US$6,172,000) of which US$362,000 (2005: US$140,000) was acquired by means of finance leases. Cash payments of approximately US$6,042,000 (2005: US$6,032,000) were made to purchase property, plant and equipment.

B: The assets and liabilities of Tomoike Industrial Co., Limited were acquired by a subsidiary, Tomoike Industrial (H.K.) Limited during the year are as follows:

	US$'000
Non-current assets	7,335
Current assets	19,961
Current liabilities	(16,565)
Non-current liabilities	(4,134)
Group's share of net assets acquired	6,597
Goodwill arising on acquisition of subsidiary (Note 9)	3,569
	10,166
Minority interests	(3,208)
	6,958
Consideration net of cash acquired:	
Payments for acquisition of subsidiary	(5,654)
Direct expenses relating to the acquisition	(1,304)
Consideration settled by cash	(6,958)
Less : Accrued direct expenses relating to the acquisition	126
Less : Net cash and bank balances acquired	5,292
Net cash outflow arising from acquisition	(1,540)

1. GENERAL

1.1 The Company (Registration number 35127) was incorporated in Bermuda on 2 April 2004 as a limited company. The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business is at Unit 1617 to 1621, 16th floor, Tower II Grand Central Plaza, 138 Sha Tin Rural Committee Road, Shatin, New Territories, Hong Kong. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are measured and expressed in United States dollars.

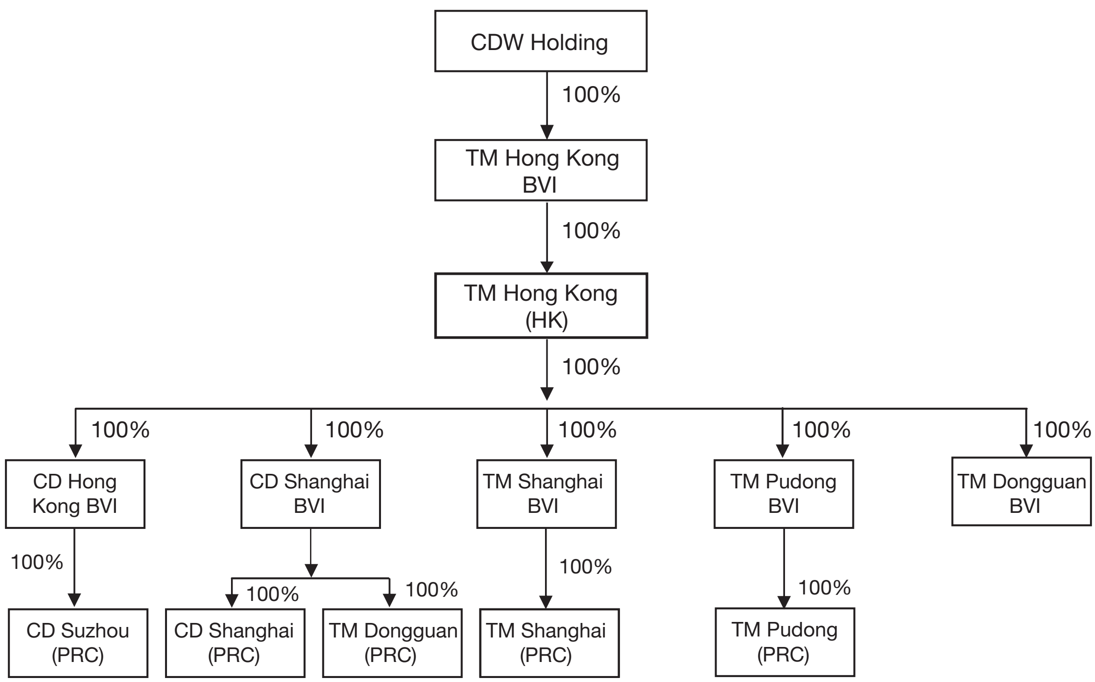
The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries and its associate are set out respectively in Notes 14 and 15 to the financial statements.

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the year ended 31 December 2006 were authorised for issue by the Board of Directors on 23 March 2007.

1.2 In March 2006, the Company restructured the Group's organisation ("Corporate Reorganisation") in order to facilitate more effective management of the Group.

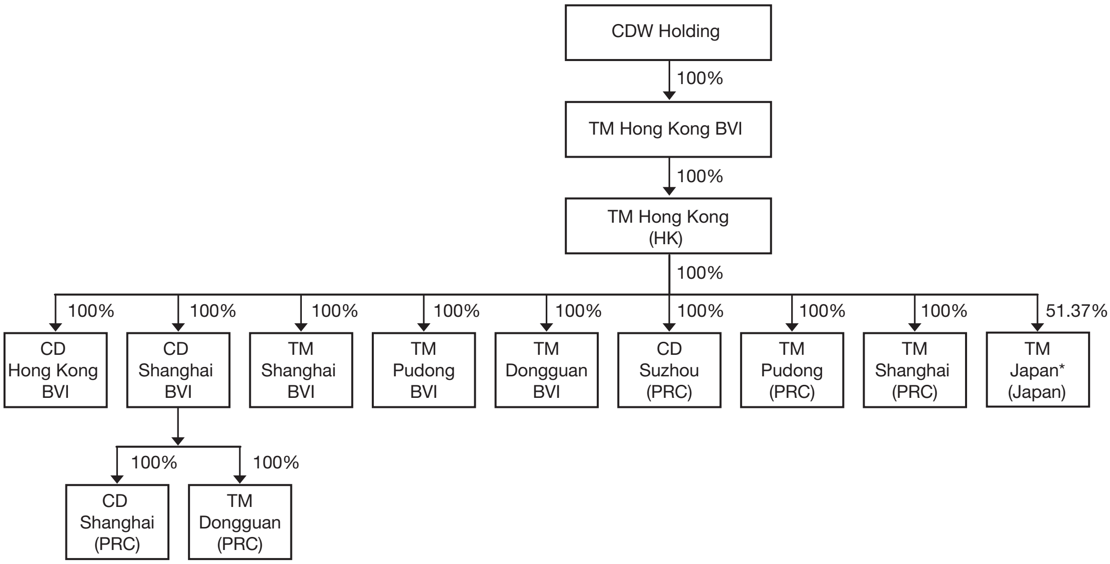
The following diagrams show the Group structure and shareholding structure prior to and after the Corporate Reorganisation:

Prior to the Corporate Reorganisation



The full names of other entities in the above chart are indicated in Note 14 of the financial statements.

After the Corporate Reorganisation



* Acquired in 2006.

The Corporate Reorganisation undertaken in 2006 is summarised below:

(a) CD Hong Kong BVI, TM Pudong BVI and TM Shanghai BVI (collectively known as "BVI subsidiaries") sold the entire issued and paid-up share capital of the PRC subsidiaries to TM Hong Kong as follows:

	Consideration US$
CD Suzhou	8,097,737
TM Shanghai	2,279,136
TM Pudong	2,329,308

(b) The consideration for the transfer of each of the PRC subsidiaries is equivalent to the net asset value of the respective PRC subsidiaries, with no gain or loss on transfer. The transfer consideration for each of the PRC subsidiaries is financed by intercompany loans from the BVI subsidiaries to TM Hong Kong.

(c) The intercompany loan is expected to be settled by one of the following two methods.

(i) Intercompany loan will be waived in favour of TM Hong Kong upon completion of the corporate restructuring and applications will be lodged with BVI companies registry to have BVI subsidiaries struck off; or

(ii) The BVI subsidiaries will be liquidated and all tangible assets (including the intercompany loans due from TM Hong Kong) will be assigned to TM Hong Kong as distribution in specie.

(d) The corporate restructuring is an internal corporate restructuring exercise which did not involve the acquisition or disposal of any business, asset or company by the Group. The new structure aims to achieve a more tax efficient group structure which will result in higher tax saving.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and are drawn up in accordance with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted are set out below.

In the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual periods beginning on or after 1 January 2006. The adoption of these new/revised Standards and Interpretations has no material effect on the financial statements.

Amendments to IAS 39 relating to financial guarantee contracts are effective from 2006 and require retrospective application.

The amendments require certain financial guarantee contracts to be recognised in accordance with IAS 39, measured initially at fair values, and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation. The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payment when due in accordance with the terms of their borrowings.

Management has determined that the above amendment has no effect on the Group's financial statements and the effect in the Company's financial statements is immaterial. In the Company's financial statements, the management has not recorded any deemed guarantee income and the corresponding deemed additional capital contribution to the subsidiaries.

At the date of authorisation of these financial statements, the following Standards and Interpretations that are relevant to the Company and the Group were issued but not yet effective:

IFRS 7 - Financial Instruments: Disclosures
IFRS 8 - Operating Segments

Amendments to the following:

IAS 1 - Presentation of Financial Statements
IAS 32 - Financial Instruments: Disclosure and Presentation

The directors anticipate that the adoption of the above Standards and Interpretations in future periods will have no material impact on the financial statements of the Company and of the Group in the financial year ending 31 December 2007 but will change the disclosures presently made in relation to the Company and Group financial instruments and the objectives, policies and processes for managing capital.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed during the year are included in the consolidated profit and loss statement from the effective date of acquisition or to the effective date of disposal, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

In the Company's financial statements, investment in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

BUSINESS COMBINATIONS – The restructuring of the Group in 2005 involved the merger of companies under common control and had been accounted for using the pooling of interest method whereby all assets and liabilities of the merged entities are aggregated and the difference between the aggregate share capital of the entities and the share capital of the holding company is recorded in the merger reserve. Subsequent to the restructuring, any acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the 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 the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is 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 recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated profit and loss statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the initial carrying amount of the asset. Income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 10. Gains and losses arising from changes in fair value are recognised directly in the revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Held-to-maturity investments

Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade and other receivables". Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables where the recognition of interest would be immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised directly in equity.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis except for short-term payables where the recognition of interest would be immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the initial carrying amount of the liability.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expense in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Construction-in-progress consists of cost of material, related acquisition expenses, construction cost and any related finance cost incurred during the period of construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Depreciation is charged so as to write off the cost of assets less estimated residual value, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

	Depreciation rates	Residual value
Leasehold land and buildings	2% or the higher percentage to depreciate over the remaining lease term (if less than 50 years)	Nil to 10%
Plant and equipment	10% to 20%	Nil to 10%
Furniture, fixtures and equipment	20% to 33%	Nil to 10%
Leasehold improvements	12.5% to 33%	Nil
Motor vehicles	20%	Nil

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

GOODWILL – Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Associate' below.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

ASSOCIATE – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investment in associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the associate, less any impairment in value. Losses of an associate in excess of the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group’s interest in the relevant associate.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SHARE-BASED PAYMENTS – The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

GOVERNMENT SUBSIDY – Government subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

BORROWING COSTS – Borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as expense as they fall due. A subsidiary in Hong Kong operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF") under the mandatory Provident Fund Schemes Ordinance, for all of those employees who are eligible to participate in the scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statements as they become payable in accordance with the rules of the MPF. The assets of the MPF are held separately from those of the subsidiary in an independently administered fund.

Employees' of subsidiaries in the People's Republic of China ("PRC") are members of the pension scheme operated by the PRC local government. The PRC subsidiaries are required to contribute a certain percentage of payroll of these employees to fund benefits under the pension scheme. The only obligation of the Group with respect to the pension scheme is to make the specified contributions.

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

The subsidiary in Japan also maintains an unfunded defined benefit plan for its directors. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in United States dollars which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS – Cash and bank balances comprise cash on hand and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They exclude pledged bank deposits used as security for credit facilities of the Group.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Allowance for inventories

In determining the net realisable value of the Company's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. The values at which inventories are expected to be realised are estimated by management. These estimates take into consideration the fluctuations in price and inventories on hand that may not be realised based on the latest available information to the extent that they relate to conditions which already existed at the end of the year. The allowances for inventories as at 31 December 2006 amounted to US$201,000 (2005: US$142,000).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Information relating to the estimates used in assessing the carrying amounts of goodwill are set out on Note 9.

4. FINANCIAL RISKS AND MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk and risks arising from changes in foreign currency exchange rates and interest rates.

i) Foreign currency exchange risk

The Group transacts business in various foreign currencies, including the United States dollars ("USD"), Chinese renminbi ("RMB"), Hong Kong ("HK") dollars and Japanese yen ("Yen").

Sales are largely denominated in USD, RMB, Yen and HK dollars. Purchases are largely denominated in USD, Yen, HK dollars and RMB. Manufacturing cost and overheads are incurred in the domestic currencies in which the operations are conducted and these are substantially incurred in RMB and HK dollars.

The Group's foreign currency exposures arise mainly from the relative exchange rate movements of the above currencies.

The Group may from time to time enter into forward exchange contracts to manage its exposure to foreign currency risks.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not enter into any derivative financial instruments to manage its currency exposure to the net assets of the Group's subsidiaries.

ii) Interest rate risk

The Group's bank borrowings (Note 16) are arranged at variable interest pegged to the prevailing prime rate in Hong Kong and Japan, and are therefore exposed to cash flow interest rate risk. The Group does not enter into any financial derivatives to manage interest rate risk.

4. FINANCIAL RISKS AND MANAGEMENT - continued

iii) Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables. The balances on the financial statements represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The Group has a few major customers resulting in concentration of credit risk. Management considers the credit risk to be low as these customers are large reputable corporations with a good credit history.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Management considers the credit risk on liquid funds to be limited as these funds are placed with reputable banks.

iv) Liquidity risk

The Group has sufficient cash and cash equivalents and credit facilities to finance the operations.

v) Fair values of financial instruments

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

5. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balance arising from related party transactions are unsecured and interest-free and repayable on demand unless otherwise stated.

5. RELATED PARTY TRANSACTIONS - continued

Significant related party transactions comprise the following transactions with companies in which Mr. Yoshimi (a director of the Company) has interests:

	Group	
	2006 US$'000	2005 US$'000
Sales of goods*	(7,828)	(17,453)
Purchases of goods*	11,636	23,894
Support and marketing services received	225	–

* The above amounts for 2006 exclude the following transactions with Tomoike Industrial Co., Limited after it became a subsidiary on 1 July 2006:

	US$'000
Sales of goods	(6,620)
Purchases of goods	11,309

On 1 July 2006, a subsidiary of the Company acquired a total of 42,000 shares in Tomoike Industrial Co., Limited ("TM Japan") from Mr Yoshimi and his relatives at an aggregate consideration of JPY 449.4 million. These shares together with 18,000 shares acquired from the key management of TM Japan give the Group a controlling interest of 51.37% in the issued and paid-up share capital of TM Japan. The acquisition of the remaining 48.63% stake under the terms of a share purchase agreement is expected to complete in 2007. Additional information relating to this acquisition is provided in Note 34(iii) to the financial statements.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 US$'000	2005 US$'000
Short-term benefits	1,422	1,284
Share-based benefits	231	98
	1,653	1,382

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

6. CASH AND BANK BALANCES

	Group		Company	
	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000
Cash at bank	18,210	16,180	91	91
Fixed deposits	9,583	7,734	–	–
Cash on hand	59	89	–	–
	27,852	24,003	91	91
Less: Pledged bank deposits	(1,016)	(1,933)	–	–
	26,836	22,070	91	91

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits of US$1,016,000 (2005: US$1,933,000) were placed as security for a bank borrowing (Notes 16(b) and 16(c)). These deposits are classified as current assets as the corresponding bank borrowing is to be repaid within one year (2005: Non current).

Fixed deposits earn an average interest rate of 1.85% (2005: 2.60%) per annum and the tenure generally ranged from 7 to 30 days for HK dollar and US dollar deposits (2005: 7 to 30 days); and 90 days for RMB deposits (2005: 90 days).

The Group's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2006	2005
	US$'000	US$'000
United States dollars	8,996	11,422
Japanese yen	3,908	2,942
Renminbi	32	–

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Amounts receivable from sale of goods:				
Outside parties	30,623	19,737	–	–
Related party (Note 5)	33	2,652	–	–
Total trade receivables	30,656	22,389	–	–
Other receivables	1,446	421	9	–
Tax recoverable	193	101	–	–
Deposits	496	434	–	–
Prepayment	319	898	–	–
Value-added tax recoverable	83	152	–	–
Dividend receivable	–	–	–	6,040
	33,193	24,395	9	6,040

The average credit period on sale of goods is 60 days (2005: 60 days).

The Group's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2006 US$'000	2005 US$'000
United States dollars	8,913	9,524
Japanese yen	2,383	4,673

8. INVENTORIES

	Group	
	2006 US$'000	2005 US$'000
Raw materials	7,551	5,236
Work-in-progress	1,712	2,489
Finished goods	4,714	2,897
	13,977	10,622

The above amounts represent cost of inventories. Allowances for, and write down in inventories (Note 28) are made for the full amount of inventories with poor sales prospects.

9. GOODWILL

	Group US$'000
Cost	
At 1 January 2006	–
Arising on acquisition of a subsidiary	3,569
At 31 December 2006	3,569

Goodwill acquired in a business combination is allocated, at acquisition, to a cash generating unit (CGU) that is expected to benefit from that business combination. The carrying amount of goodwill is allocated to Tomoike Industrial Co. Limited (single CGU).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next financial year and extrapolates cash flows for the following four years based on an estimated growth rate of 10% for the second year with cash flows remaining at the same level as the second year for the third to fifth years. The 10% growth is based on the expectation of increased sales of backlight units for hand held devices in People's Republic of China.

The rate used to discount the forecast cash flows to net present value is 9.6%.

10. INVESTMENTS

	Group	
	2006 US$'000	2005 US$'000
Available-for-sale investments		
Quoted equity shares, at fair value	230	–
Unquoted debt securities, at fair value	770	–
	1,000	–
Held-to-maturity investment	979	–
Total	1,979	–

10. INVESTMENTS - continued

(a) The available-for-sale investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities based on the quoted closing market prices on the last market day of the financial year.

The unquoted debt securities have effective interest rate of 3% per annum and will mature at 18 October 2035.

(b) As at 31 December 2006, the held to maturity investment comprises investment of funds in a leveraged lease arrangement by the newly acquired subsidiary of the Group, Tomoike Industrial Co., Limited (“TM Japan”).

Prior to its acquisition by the Group, TM Japan invested JPY106.6 million (approximately US$0.9 million) of funds in airplane lease operations (“Leveraged Lease Agreement”) managed by NBBKite Co., Ltd (“NBKK”). An airplane is purchased by NBKK with borrowed funds and funds provided by investors, including TM Japan. The funds invested by TM Japan are expected to be returned together with its share of any profits from the lease and sale of the airplane or net of losses incurred by NBKK from the lease and sale of the airplane.

In the opinion of the directors, the carrying amount of the unquoted investment approximates its fair value as it is based on the estimated recoverable amount.

All the Group’s investments are denominated in the functional currency of its respective entity.

11. OTHER ASSETS

	Group	
	2006 US$’000	2005 US$’000
Employees’ and directors’ insurance	892	–
Rental deposit	388	–
Golf club membership	15	–
	1,295	–

Employees’ and directors’ insurance of JPY106.2 million (approximately US$892,000) represents the surrender values of two insurance policies taken by a subsidiary in Japan: one for employees with three years of service; and the other for the directors. Under both policies, TM Japan (Note 14) pays the premiums, expenses a portion of such payments and records a recoverable amount approximating the surrender values of the insurance policies. On maturity of the insurance policies, the payouts by the insurance company will be retained by TM Japan. Payouts by the insurance company on any death claims during the insured period will be made to TM Japan. Only in respect of employee insurance would the payouts be remitted by TM Japan to the estate of the deceased employee.

12. AMOUNT DUE FROM SUBSIDIARY

The amount due from a subsidiary is unsecured, bear interest at 3% (2005: 3%) per annum. The amount is not expected to be repaid within the next 12 months.

The directors are of the opinion that the fair values of amount due from the subsidiary approximate the carrying amounts.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Cost:							
At 1 January 2005	349	7,388	1,784	2,608	687	215	13,031
Additions	–	3,036	1,030	103	197	1,806	6,172
Disposals	–	(399)	(14)	–	(129)	–	(542)
Transfer	–	–	–	629	–	(629)	–
Exchange differences	9	176	18	64	15	6	288
At 31 December 2005	358	10,201	2,818	3,404	770	1,398	18,949
Additions	93	1,036	463	440	136	4,236	6,404
Disposals	–	(348)	(15)	–	(48)	–	(411)
Acquisition through business combination	1,889	1,166	799	1,214	45	–	5,113
Transfer	–	151	–	2,128	–	(2,279)	–
Exchange differences	(60)	302	86	(336)	19	480	491
At 31 December 2006	2,280	12,508	4,151	6,850	922	3,835	30,546
Accumulated depreciation:							
At 1 January 2005	50	1,212	783	966	200	–	3,211
Depreciation	16	1,033	340	544	128	–	2,061
Eliminated on disposals	–	(53)	(9)	–	(83)	–	(145)
Exchange differences	1	28	8	23	4	–	64
At 31 December 2005	67	2,220	1,122	1,533	249	–	5,191
Depreciation	33	1,377	515	769	139	–	2,833
Eliminated on disposals	–	(63)	(7)	–	(28)	–	(98)
Acquisition through business combination	70	381	503	280	31	–	1,265
Exchange differences	–	74	35	19	6	–	134
At 31 December 2006	170	3,989	2,168	2,601	397	–	9,325
Carrying amount:							
At 31 December 2005	291	7,981	1,696	1,871	521	1,398	13,758
At 31 December 2006	2,110	8,519	1,983	4,249	525	3,835	21,221

13. PROPERTY, PLANT AND EQUIPMENT - continued

The carrying amount of the Group's plant and machinery, motor vehicles, furniture, fixtures and equipment includes an amount of US$1,021,000 (2005: US$453,000), Nil (2005: US$16,000) and US$274,000 (2005: Nil) respectively in respect of assets held under finance leases (Note 18).

The Group has pledged leasehold land and building with carrying amount of approximately US$2,098,000 (2005: Nil) to secure banking facilities granted to the Group (Note 16 (e)).

In prior year, the Group pledged plant and machineries with carrying amount of approximately US$917,000 to secure banking facilities granted to the Group. These facilities have been fully repaid during the year (Note 16 (a)).

Construction-in-progress comprises machinery under installation and clean rooms under construction.

14. SUBSIDIARIES

	Company	
	2006 US$'000	2005 US$'000
Unquoted equity shares, at cost	9,642	9,642
Recognition of share-based payment	542	98
	10,184	9,740

Deemed additional investment of US$444,000 (2005: US$98,000) in subsidiaries relate to share option granted under the CDW Holding Share Option Scheme (Note 31).

The Group underwent a corporate restructuring exercise in 2006. The pre-existing and current Group structure and information on the corporate restructuring exercise are set out in Note 1.2.

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2006 %	2005 %	
Held by the Company				
Tomoike Industrial (Hong Kong) Holding Limited (1) ("TM Hong Kong BVI")	British Virgin Islands	100	100	Investment holding
Held by TM Hong Kong BVI				
Tomoike Industrial (H.K.) Limited (2) ("TM Hong Kong")	Hong Kong	100	100	Trading and manufacturing of precision accessories for office equipment and electrical appliances, LCD backlight units and its related components

14. SUBSIDIARIES - continued

Name of subsidiary	Country of incorporation and operations	Proportion of ownership interest and voting power held 2006 %	2005 %	Principal activity
Held by TM Hong Kong				
Crystal Display (Hong Kong) Holding Limited (1)(5) ("CD Hong Kong BVI")	British Virgin Islands	100	100	Investment holding
Tomoike Precision Machinery (Shanghai) Holding Limited (1)(5) ("TM Shanghai BVI")	British Virgin Islands	100	100	Investment holding
Tomoike Electronics (Shanghai) Holding Limited (1)(5) ("TM Pudong BVI")	British Virgin Islands	100	100	Investment holding
Dongguan Hotin Metal Machinery Co., Limited (4) ("DGHM")	Dongguan People's Republic of China	–	100	Liquidated in 2006
Tomoike Precision Machinery (Dongguan) Holding Limited (1)(5) ("TM Dongguan BVI")	British Virgin Islands	100	100	Investment holding
Crystal Display Components (Suzhou) Co., Limited (3) ("CD Suzhou")	Suzhou People's Republic of China	100	100	Manufacturing of metal and plastic LCD frames
Tomoike Electronics (Shanghai) Co., Limited (3) ("TM Pudong")	Shanghai People's Republic of China	100	100	Manufacturing of LCD backlight units and its related components
Tomoike Precision Machinery (Shanghai) Co., Limited (3) ("TM Shanghai")	Shanghai People's Republic of China	100	100	Manufacturing of precision accessories for office equipment and electrical appliances
Tomoike Industrial Co, Limited (6) ("TM Japan")	Japan	51.37	–	Trading and manufacturing of precision accessories for office equipment and components and other electrical and electronic appliances, LCD backlight units and its related components

14. SUBSIDIARIES - continued

Name of subsidiary	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2006 %	2005 %	
Crystal Display (Shanghai) Holding Limited [1][5] ("CD Shanghai BVI")	British Virgin Islands	100	100	Investment holding
Held by CD Shanghai BVI				
Crystal Display Components (Shanghai) Co., Limited [3] ("CD Shanghai")	Shanghai People's Republic of China	100	100	Manufacturing of LCD backlight units and its related components
Tomoike Precision Machinery (Dongguan) Co., Limited [2] ("TM Dongguan)	Dongguan People's Republic of China	100	100	Manufacturing of LCD backlight units and its related components, precision accessories for office equipment and electrical appliances

(1) Not required to be audited in country of incorporation

(2) Audited by Deloitte Touche Tohmatsu, Hong Kong

(3) Audited by Deloitte Touche Tohmatsu CPA Ltd, People's Republic of China

(4) Previously audited by Dongguan City, Junye Certified Public Accounting Firm, People's Republic of China

(5) Audited by Deloitte & Touche, Singapore for the purpose of incorporation in the consolidated financial statements of the Group.

(6) Audited by Deloitte Touche Tohmatsu, Japan.

15. ASSOCIATE

	Group	
	2006 US$'000	2005 US$'000
Unquoted equity shares, at cost	–	647
Share of post acquisition:		
Accumulated losses	–	(293)
Amortisation of goodwill	–	(39)
Gain on dilution of interest	–	68
Less: Impairment	–	(383)
	–	–

15. ASSOCIATE- continued

Details of the Group's associate is as follows:

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2006	2005	
		%	%	
Slight Opto-Electronics Co., Ltd.	Taiwan	–	21	Dormant (Previously involved in trading of LCD backlight units and related components.)

The Company had applied for the cancellation of its investment in the associate and this cancellation was approved on 13 September 2005 by the Investment Commission, Ministry of Economic Affair of Republic of China. The associate had no material assets, liabilities and no significant operating results in 2005 and 2006.

16 BANK AND OTHER BORROWINGS

	Group	
	2006 US$'000	2005 US$'000
Bank loans – unsecured	8,592	101
Bank loans – secured	2,413	2,847
Corporate bond – unsecured	2,352	–
Total	13,357	2,948
The bank borrowings are repayable as follows:		
Within one year	10,774	1,659
In the second year	231	1,289
	11,005	2,948
The corporate bonds are repayable as follows:		
Within one year	504	–
In the second year	504	–
In the third year	1,344	–
	2,352	–
Total bank and other borrowings	13,357	2,948
Less: Amount due for settlement within 12 months (shown under current liabilities)	(11,278)	(1,659)
Amount due for settlement after 12 months	2,079	1,289

16 BANK AND OTHER BORROWINGS - continued

The Group's principal bank and other borrowings are as follows.

a) 2 bank loans with residual balance of US$269,000 as at 31 December 2005 were fully repaid during the year. These loans denominated in Hong Kong dollars were repayable in 48 monthly instalments. The loans were secured by a charge over certain of the Group's plant and machineries.

b) A bank loan with residual balance of US$2,578,000 as at 31 December 2005 was fully repaid during the year. This loan denominated in Hong Kong dollars was repayable in 12 quarterly repayments of HK$2.5 million. It was secured by certain fixed deposits of the Group.

c) A bank loan of approximately US$1,930,000 (2005: Nil), denominated in Hong Kong dollars is secured by certain fixed deposits of the Group.

d) An unsecured loan with residual balance of approximately US$101,000 as at 31 December 2005 fully repaid during the year. This loan denominated in Hong Kong dollars was repayable in 12 monthly instalments.

e) Bank loans denominated in Japanese Yen amounting to US$483,000 (2005: Nil) were secured by leasehold land and building of the Group.

f) Fixed rate corporate bonds issued by Tomoike Industrial Co., Limited in 2004 are as follows:-

		Annual Interest	Repayable terms
(1)	JPY 120,000,000	0.68%	By monthly instalments until December 2009
(2)	JPY 60,000,000	0.71%	By monthly instalments until December 2009
(3)	JPY 100,000,000	1.14%	Lump sum payment in December 2009

All the bank borrowings carry variable interest rates pegged to the prevailing prime rate in Hong Kong. Rates are adjusted as and when there are changes to the prevailing prime rates.

The average effective interest rate for the Group's bank loans is 4.65% (2005: 5.61%) per annum.

The following are provided as securities for the above bank borrowings:

	Group	
	2006 US$'000	2005 US$'000
Property, plant and machinery	2,098	917
Fixed deposits	1,016	1,933

The directors consider the carrying values of the Group's borrowings to approximate their fair values.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Trade creditors:				
Outside parties	29,906	15,530	–	–
Related party (Note 5)	111	4,207	–	–
Total trade creditors	30,017	19,737	–	–
Accruals	2,052	2,040	–	–
Other payables	2,094	265	164	148
	34,163	22,042	164	148

The average credit period on purchases of goods is 60 days (2005: 60 days).

Trade creditors and accruals comprise principally amounts outstanding for trade purchases and ongoing costs.

The Group's and Company's trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
United States dollars	5,035	7,152	–	–
Japanese yen	2,276	5,286	–	–
Hong Kong dollars	–	160	50	102

18. FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Amounts payable under finance leases:				
Within one year	417	125	388	111
In the second to fifth year inclusive	502	232	465	217
	919	357	853	328
Less: Future finance charges	(66)	(29)		
Present value of lease obligations	853	328		

18. FINANCE LEASES - continued

The effective borrowing rates ranged from 1.5% to 6.55% (2005: 4.49% to 7.49%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in United States dollars, Japanese Yen and Renminbi, which are the respective functional currencies of the borrowing entities.

The fair values of the Group's lease obligations approximate their carrying amounts.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 13).

19. RETIREMENT BENEFIT OBLIGATIONS

A newly acquired subsidiary in Japan maintains a defined benefit plan for its directors. The expense for the period from the completion date of acquisition of the subsidiary to 31 December 2006 amounted to approximately US$40,000 (Note 28).

The retirement benefits obligation is unfunded and the balance at year end represents the present value of the expected future payments required to settle the obligation. Payments of such retirement benefits to directors of the subsidiary are subject to approval of the subsidiary's shareholders in accordance with the Corporate Law in Japan.

20. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

Deferred tax assets	Retirement benefit obligations US$'000	Others US$'000	Total US$'000
At 1 January 2006	–	–	–
Exchange difference	(9)	(17)	(26)
Acquisition of subsidiary	209	319	528
Charge to equity for the year	16	74	90
Charge to income statement for the year (Note 29)	–	(121)	(121)
At 31 December 2006	216	255	471

20. DEFERRED TAX - continued

Deferred tax liabilities	Accelerated tax depreciation US$'000	Basis difference of the held-to-maturity investment US$'000	Employees' and directors' insurance US$'000	Others US$'000	Total US$'000
At 1 January 2006	(132)	–	–	–	(132)
Exchange difference	8	26	7	2	43
Acquisition of subsidiary	(198)	(667)	(184)	(52)	(1,101)
Charge to equity for the year	(10)	(60)	(12)	(8)	(90)
Charge to income statement for the year (Note 29)	24	–	–	3	27
At 31 December 2006	(308)	(701)	(189)	(55)	(1,253)

21. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Company. The scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the five market days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is one year from date of grant. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	Group and Company						
Date of grant	Balance at 1 January 2006	Granted	Exercised	Lapsed	Balance at 31 December 2006	Exercise price per share	Exercisable period
12 September 2005	18,056,000	–	–	–	18,056,000	S$0.305	12 September 2006 to 11 September 2010

The number of share options exercisable at the end of the year amounted to 18,056,000.

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 3.7 years (2005: 4.7 years).

21. SHARE-BASED PAYMENTS - continued

The following share-based payment arrangements were in existence during the year current and comparative reporting period:

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Issued on 12 September 2005*	18,056,000	12 September 2005	12 September 2010	S$0.305	US$0.03

* In accordance with the terms of the share-based arrangement, options issued vested on 12 September 2006.

The fair value for share options granted were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

Weighted average share price on date of grant (Singapore cents)	30.0 cents
Weighted average exercise price (Singapore cents)	30.5 cents
Expected volatility	32.57%
Expected life	5 years
Risk free rate	2.0%
Expected dividend yield	5.6%

Expected volatility was determined by calculating the historical volatility of the Company's share price from 26 January 2005 to 9 September 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of US$444,000 (2005: US$98,000) related to equity-settled share-based payment during the year.

22. SHARE CAPITAL

	2006	2005	2006	2005
	Number of ordinary shares of US$0.02 each		US$'000	US$'000
Authorised	1,500,000,000	1,500,000,000	30,000	30,000
Issued and fully paid:				
At beginning of year	488,000,000	400,000,000	9,760	8,000
Issue of shares pursuant to its initial public offer (1)	–	88,000,000	–	1,760
At end of year	488,000,000	488,000,000	9,760	9,760

(1) On 25 January 2005, 88,000,000 new shares of US$0.02 each were issued by the Company to the public at S$0.38 per share. The proceeds from the issue, net of expenses, amounted to approximately S$28,801,000 equivalent to approximately US$17,772,000.

23. MERGER RESERVE, RESERVE FUND, ENTERPRISE EXPANSION RESERVE AND STAFF WELFARE FUND

Merger Reserve

Merger reserve represents the difference between the combined share capital of the entities in the merged group and the capital of the company arising from a restructuring exercise undertaken in 2005.

Reserve Fund

In accordance with the People's Republic of China ("PRC") laws on foreign enterprises, the PRC subsidiaries are required to set aside 10% of their profit after tax for the Reserve Fund until the fund aggregates to 50% of their registered capital. The reserve fund can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.

Enterprise Expansion Fund

The Enterprise Expansion Fund can be used for business expansion or conversion into capital, provided such conversion is approved by a resolution at a shareholder's meeting.

The percentage of their profit after tax to be transferred to the Enterprise Expansion Fund is determined by the board of directors of the PRC subsidiaries or the articles of associations of the PRC subsidiaries.

Staff Welfare Fund

Under the regulations applicable to PRC subsidiaries, the directors of the subsidiaries are to transfer a discretionary percentage of the profit after tax to staff welfare fund to which the shareholder of the subsidiaries are not entitled. The fund has to be transferred to a new shareholder in the event of a sale of the subsidiaries or turned over to the government in the event of liquidation.

There is no regulatory obligation to pay the staff out of this fund and the subsidiaries has no intention to make such payment. Consequently, management has not recorded any liability in the Group's financial statements but has transferred the accumulated amount of funds from accumulated profits to Staff Welfare Fund.

24. REVENUE

Revenue comprises the sales of products at invoiced value, net of discounts and sale returns.

25. SEGMENT INFORMATION

Business segments

The Group is organised into four operating divisions as follows:

i) Parts trading - Trading of precision accessories for office equipment and electrical appliances

ii) LCD backlight units - Manufacturing of LCD backlight units and related components

iii) Precision accessories - Manufacturing of precision accessories for office equipment and electrical appliances

iv) LCD frames - Manufacturing of metal and plastic LCD frames.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of allowances for losses or impairment. Capital expenditure comprise the total cost incurred to acquire property, plant and equipment. Segment liabilities consist principally of trade payables, accrued expenses and other payables.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are normally charged at cost plus a percentage mark-up. These transfers and inter-segment mark-up are eliminated on consolidation.

25. SEGMENT INFORMATION - continued

	Parts trading US$'000	LCD backlight units US$'000	Precision accessories US$'000	LCD frames US$'000	Eliminations US$'000	Consolidated US$'000
31 December 2006						
REVENUE						
External sales	29,990	93,115	19,539	13,942	–	156,586
Inter-segment sales	57,138	2,076	1,061	724	(60,999)	–
Total revenue	87,128	95,191	20,600	14,666	(60,999)	156,586
RESULTS						
Segment result	287	5,168	2,920	459	–	8,834
Unallocated corporate expense						(2,529)
Operating profit						6,305
Interest expense						(552)
Interest income						344
Profit before income tax						6,097
Income tax						(682)
Profit after income tax						5,415
ASSETS						
Segment assets	38,369	45,912	9,092	18,694	(16,479)	95,588
Unallocated assets						7,969
Consolidated total assets						103,557
LIABILITIES						
Segment liabilities	26,408	17,425	4,255	2,388	(16,479)	33,997
Bank borrowings and finance leases						14,210
Unallocated liabilities						2,262
Consolidated total liabilities						50,469
OTHER INFORMATION						
Capital expenditure	323	1,471	138	4,472	–	6,404
Depreciation of property, plant and equipment	391	1,025	390	1,027	–	2,833

25. SEGMENT INFORMATION - continued

	Parts trading US$'000	LCD backlight units US$'000	Precision accessories US$'000	LCD frames US$'000	Eliminations US$'000	Consolidated US$'000
31 December 2005						
REVENUE						
External sales	20,298	51,898	16,435	17,542	–	106,173
Inter-segment sales	3,190	806	1,790	999	(6,785)	–
Total revenue	23,488	52,704	18,225	18,541	(6,785)	106,173
RESULTS						
Segment result	(80)	4,830	3,715	3,196	–	11,661
Unallocated corporate expenses						(1,568)
Operating profit						10,093
Interest expense						(296)
Interest income						256
Profit before income tax						10,053
Income tax						(1,111)
Profit after income tax						8,942
ASSETS						
Segment assets	20,700	30,414	8,590	15,976	(3,464)	72,216
Unallocated assets						562
Consolidated total assets						72,778
LIABILITIES						
Segment liabilities	10,059	11,211	1,309	2,778	(3,464)	21,893
Bank borrowings and finance leases						3,276
Unallocated liabilities						644
Consolidated total liabilities						25,813
OTHER INFORMATION						
Capital expenditure	198	3,027	438	2,509	–	6,172
Depreciation of property, plant and equipment	178	776	411	696	–	2,061

25. SEGMENT INFORMATION - continued

Geographical segment

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

	Group 2006 US$'000	Group 2005 US$'000
Sales revenue by geographical market		
People's Republic of China ("PRC")	68,998	51,177
Hong Kong Special Administrative Region ("Hong Kong")	58,965	36,006
Japan	28,323	18,460
Others	300	530
Total	156,586	106,173

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

	Additions to property, plant and equipment		Carrying amount of segment assets	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
PRC	6,081	5,974	72,776	52,973
Hong Kong	187	198	10,389	19,805
Japan	136	–	20,392	–
Total	6,404	6,172	103,557	72,778

26. OTHER OPERATING INCOME

	Group 2006 US$'000	Group 2005 US$'000
Interest income from bank deposits	344	256
Sundry income	329	100
Gain on disposal of scrap material	289	185
Subsidies from government	–	360
Net foreign exchange gain	–	273
	962	1,174

27. FINANCE COSTS

	Group	
	2006 US$'000	2005 US$'000
Interest expense to non-related companies	552	296

28. PROFIT BEFORE TAX

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

	Group	
	2006 US$'000	2005 US$'000
Depreciation of property, plant and equipment	2,833	2,061
Directors' remuneration	941	807
Post employment benefits:		
- Defined contribution plans	2,030	1,212
- Defined benefit plan	40	–
Share-based payments:		
- Equity-settled share-based payments	444	98
Other employee benefits expense	18,948	13,079
Total employee benefits expense	21,462	14,389
Audit fees:		
- auditor of the Company	105	111
- other auditors	240	168
Non-audit fees:		
- other auditors	14	–
Allowance for, and write-down of inventories	201	142
Inventories recognised as expense	131,298	84,370
Loss (Gain) on disposal of property, plant and equipment	10	(1)
Net foreign exchange loss	387	–

29. INCOME TAX EXPENSE

	Group 2006 US$'000	Group 2005 US$'000
Current tax	633	1,111
Deferred tax	94	–
Overprovision of income tax in prior year	(45)	–
	682	1,111

The income tax expense for the Group for both years varies from the amount of income tax expense determined by applying the Hong Kong tax rate of 17.5%, the Japan tax rate of 40% and the tax rates in different locations in PRC ranging from 15% to 24% to profit before income tax, as a result of the following:

	Group 2006 US$'000	Group 2005 US$'000
Profit before tax	6,097	10,053
Tax at the domestic rates applicable to profits in the country concerned	820	2,217
Tax effect of expenses not deductible for tax purpose	180	101
Effect of tax exemptions granted to PRC subsidiaries	(334)	(1,393)
Overprovision of income tax in prior year	(45)	–
Others	61	186
Total income tax expense	682	1,111

The exemptions applicable to PRC subsidiaries comprise two years of tax exemptions from the first profitable year followed by a 50% exemption for the following three years.

After the tax exemption period, a preferential tax rate of 12% will be applicable to all PRC subsidiaries which are principally engaged in the export of products under the laws of the PRC, subject to satisfaction of certain conditions including deriving 70% of revenue from exports. This represents a 50% reduction from the prevailing statutory tax rate of 24%.

30. DIVIDENDS

In 2005, a dividend of 0.623 US cents per share (total dividend: US$3,040,000) in respect of 2004 and an interim dividend of 0.4 US cents per share (total dividend: US$1,952,000) in respect of 2005 were paid to shareholders.

In 2006, a final dividend of 0.4 US cents per share (total dividend: US$1,952,000) in respect of 2005 and an interim dividend of 0.4 US cents per share (total dividend: US$1,952,000) in respect of 2006 were paid to shareholders.

In respect of the current financial year, the directors propose that a final dividend of 0.2 US cents per share be paid to shareholders on 23 May 2007. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Based on the number of ordinary shares as at 31 December 2006, the total estimated dividend to be paid is US$976,000.

31. RESTATEMENT OF COMPARATIVE FIGURES OF THE COMPANY

Share option expenses granted to directors/employees of CDW's subsidiary were only recorded in the Group's financial statements. The share options were not previously given accounting recognition in the Company's balance sheet.

Interpretation of Financial Reporting Standard ("IFRIC 11") relating to IFRS 2 – Group and Treasury Share Transaction is effective for annual periods on or after 1 March 2007 and on application requires retrospective adjustment. The Company has opted for earlier application in this financial year. A subsidiary is required to record equity-settled share-based payment transactions involving grant of the Company's shares to the subsidiary's employees as an equity contribution from the Company. Accordingly, the Company should similarly record the equity contribution to the subsidiary as additional investment in the subsidiary with a corresponding amount in share option reserve.

As a result, certain line items in the Company's balance sheet as at 31 December 2005 have been restated as follows:

	Company	
	Previously reported 2005 US$'000	After restatement 2005 US$'000
Subsidiaries (Non-current asset)	9,642	9,740
Share option reserve (Component of equity)	–	98

32. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006 US$'000	2005 US$'000
Profit for the year attributable to equity holders of the Company	5,168	8,942

	2006 '000	2005 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	488,000	482,214

There is no diluted earnings per share as the average market price of ordinary shares during the period from the issue of the options to the balance sheet date is below the exercise price for the options.

33. ACQUISITION OF A SUBSIDIARY

Subsidiary acquired	Principal Activities	Date of Acquisition	Proportion of shares acquired	Cost of acquisition
			%	USD '000
Tomoike Industrial Co., Limited	Trading and manufacturing of precision accessories for office equipment and other electrical and electronic appliances, LCD backlight units and its related components	1 July 2006	51.37%	6,958

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

	US$'000
Current assets	
Cash and bank balances	5,292
Trade and other receviables	12,844
Inventories	1,825
Non-current assets	
Property, plant and equipment	3,848
Available-for-sale investments	903
Deferred tax assets	181
Other assets	2,403
Current liabilities	
Bank and other borrowings	(1,400)
Current portion of finance leases	(250)
Trade and other payables	(13,640)
Income tax payable	(1,275)
Non-current liabilities	
Bank and other borrowings	(2,558)
Finance leases	(301)
Deferred tax liabilities	(754)
Retirement benefit obligations	(521)
Net assets	6,597
Minority Interests	(3,208)
Goodwill on acquisition	3,569
	6,958

33. ACQUISITION OF A SUBSIDIARY - continued

The cost of acquisition of Tomoike Industrial Co., Limited was paid in cash. The Group has paid a premium for the acquiree as it believes the acquisitions will create synergistic benefits to its existing operations.

Net cash outflow on acquisition

	Group	
	2006 US$'000	2005 US$'000
Cash consideration paid	5,654	–
Direct expenses relating to the acquisition	1,304	–
Consideration settled by cash	6,958	–
Less: Accrual direct cost on acquisition	(126)	–
Cash and bank balances acquired	(5,292)	–
	1,540	–

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Tomoike Industrial Co., Limited. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Tomoike Industrial Co., Limited. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Group also acquired the customer lists and customer relationships of Tomoike Industrial Co., Limited as part of the acquisition. These assets could not be reliably measured and separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchange, either individually or together with any related contracts.

Included in the net profit for the period is US$261,000 attributable to the additional business generated by Tomoike Industrial Co., Limited.

Prior to its acquisition by the Group, the Japanese subsidiary did not prepare its financial statements using International Financial Reporting Standards. Accordingly, the directors are unable to determine what the revenue and net profit of the Group would have been had the acquisition of this subsidiary taken place at the beginning of the financial year instead of 1 July 2006.

34. COMMITMENTS

(i) Operating lease commitments

	Group	
	2006 US$'000	2005 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	1,961	1,278

34. COMMITMENTS - continued

(i) Operating lease commitments - continued

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2006	2005
	US$'000	US$'000
Future minimum lease payments payable:		
Within one year	2,008	1,786
In the second to fifth years inclusive	2,244	1,302
Total	4,252	3,088

Operating lease payments represent rentals payable by the Group for certain of its office and factory properties and apartments. Leases for certain office and factory properties are negotiated for an average term of five years. All other leases are negotiated for an average term of one to two years and such rentals are fixed for an average of one to two years.

(ii) Capital commitments

	Group	
	2006	2005
	US$'000	US$'000
Commitments for acquisition of property, plant and equipment:		
Authorised but not contracted for	–	434
Contracted for but not provided	3,484	874

(iii) Commitment to acquire remaining shares in a subsidiary:

Under the terms of a Share Purchase Agreement dated 12 April 2006, the remaining 48.63% of the equity of a subsidiary, Tomoike Industrial Co., Limited ("TM Japan") not already acquired by the Group is expected to complete in 2007.

At the option of the Group, the purchase consideration is the lower of:

(a) Five times the average of audited net profit after tax ("NPAT") of TM Japan for its financial years ended 31 May 2006 and ending 31 May 2007, multiplied by 48.63%; or

(b) Five times the actual audited NPAT of TM Japan for its financial year ending 31 May 2007, multiplied by 48.63%.

At the option of the Group, the consideration for the above acquisition may be satisfied through cash payment, issue of new ordinary shares in the Company at the fixed price of 26 Singapore cents per share or a combination of cash and new shares in such proportions as decided by the Group.

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company set out on pages 35 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, and of the results, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

YOSHIMI Kunikazu
Chairman and Chief Executive Officer

LAI Shi Hong, Edward
Executive Director

Hong Kong
23 March 2007

Statistics of Shareholdings

As at 12 March 2007

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	5	0.26	2,000	0.00
1,000 – 10,000	785	40.76	3,739,000	0.77
10,001 – 1,000,000	1,115	57.89	86,656,000	17.76
1,000,001 and above	21	1.09	397,603,000	81.47
Total	1,926	100.00	488,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Mikuni Co., Limited	239,680,000	49.11
2.	DBS Nominees Pte Ltd	60,204,000	12.34
3.	SBI E2-Capital Asia Securities Pte Ltd	30,000,000	6.15
4.	DBS Vickers Securities (S) Pte Ltd	13,901,000	2.85
5.	UOB Kay Hian Pte Ltd	11,480,000	2.35
6.	OCBC Securities Private Ltd	10,601,000	2.17
7.	Kim Eng Securities Pte Ltd	5,129,000	1.05
8.	HSBC (Singapore) Nominees Pte Ltd	3,137,000	0.64
9.	Lim & Tan Securities Pte Ltd	2,808,000	0.58
10.	Phillip Securities Pte Ltd	2,670,000	0.55
11.	Ng Hwee Koon	2,501,000	0.51
12.	Wong Kam Hon	2,167,000	0.44
13.	Ong Peng Koon Gilbert	1,992,000	0.41
14.	Thian Yim Pheng	1,802,000	0.37
15.	Lee Seak Song (Lee Seak Sung)	1,757,000	0.36
16.	Merrill Lynch (Singapore) Pte Ltd	1,550,000	0.32
17.	CIMB-GK Securities Pte Ltd	1,430,000	0.29
18.	Chua Kok Peng	1,334,000	0.27
19.	Thian Toh Tin	1,170,000	0.24
20.	Chian Shian Ann (Chiam Yeow Ann)	1,152,000	0.24
	Total	396,465,000	81.24

Statistics of Shareholdings

As at 12 March 2007

SHAREHOLDERS' INFORMATION AS AT 12 MARCH 2007

Class of equity securities	:	Ordinary share
Number of equity securities	:	488,000,000
Voting rights	:	One vote per share

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2007

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	239,680,000	49.11	–	–
YOSHIMI Kunikazu (Note)	–	–	239,680,000	49.11
The China Fund, Inc.	60,000,000	12.3	–	–

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

PUBLIC FLOAT

As at 12 March 2007, 36.64% of the Company's ordinary shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST which requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CDW Holding Limited (the "Company") will be held at Orchard Room, Level 4, Raffles City Convention Centre, 2 Stamford Road, Singapore 178882 on Friday, 27 April 2007 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Audited Accounts of the Company for the year ended 31 December 2006 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare final dividend of 0.2 US cent per ordinary share (equivalent to approximately 0.3035 Singapore cent) (tax not applicable) for the year ended 31 December 2006 (2005: Final dividend of 0.4 US cent per ordinary share (equivalent to approximately 0.644 Singapore cent) (tax not applicable)). **(Resolution 2)**

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

Mr LAI Shi Hong, Edward	(Retiring under Bye-law 104)	**(Resolution 3)**
Mr WONG Chak Weng	(Retiring under Bye-law 104)	**(Resolution 4)**
Mr URANO Koichi	(Retiring under Bye-law 107(B))	**(Resolution 5)**

   Mr LAI Shi Hong, Edward will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee and will not be considered independent.

   Mr WONG Chak Weng will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees and will be considered independent.

4. To approve the payment of Directors' fees of HK$720,000 (equivalent to approximately S$140,000 for the year ending 31 December 2007 to be paid quarterly in arrears (2006: HK$720,000 (equivalent to approximately S$150,000)). **(Resolution 6)**

5. To re-appoint Deloitte & Touche as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to issue shares up to fifty per centum (50%) of the issued shares in the capital of the Company

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

   (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

   (b) new shares arising from the exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

   (c) any subsequent consolidation or subdivision of shares;

   (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Bye-Laws of the Company; and

   unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. (See Explanatory Note (i)) **(Resolution 8)**

8. Authority to issue shares under the CDW Holding Share Option Scheme

That the Directors be authorised and empowered to offer and grant options under the CDW Holding Share Option Scheme (the "Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. (See Explanatory Note (ii)) **(Resolution 9)**

9. Renewal of Shareholders' Mandate for Interested Person Transactions

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated company or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out on page 6 of the Appendix in relation to details of the Proposed Renewal of the Shareholders' General Mandate for Interested Person Transactions dated 4 April 2007 (the "Appendix") with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Appendix (the "Shareholders' Mandate");

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit. (See Explanatory Note (iii)) **(Resolution 10)**

By Order of the Board

LEE Teck Leng, Robson
TAN San-Ju
Secretaries
Singapore, 4 April 2007

Explanatory Notes:

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

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the issued shares in capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the capital of the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the issued shares in the capital of the Company from time to time.

(iii) The Ordinary Resolution 10 proposed in item 9 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held whichever is the earlier.

Notes:

1. If a Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore) wishes to attend and vote at the Annual General Meeting (the "Meeting"), then he/she/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 3 Church Street #08-01 Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

2. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 3 Church Street #08-01 Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

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