ANNUAL REPORT 2007

Hong Kong Dongguan Nara Shanghai
Tokyo Nara Pudong
Chiba Suzhou Dongguan
Shanghai Osaka Nara Mie Hiroshima

Where are we located?

Suzhou Shanghai Mie
Chiba Tokyo
Nara Hong Kong
Hiroshima
Dongguan Osaka Pudong

CDW

A Reliable Outsourcing Partner With Japanese Precision

日本の技術力と信頼性を世界へ

Corporate Profile

Contents

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

Chairman's Statement

"This has been a challenging year. We will continuously strive to be at the forefront of technology changes and deliver quality all-round service."

Overview

We started in the first quarter of FY07 with robust orders buoyed our revenue and profit. We experience slowdown in sales in subsequent quarters and finally endured a tough year with the lowest profit on record. Group revenue for FY07 went up by 6.9% to US$167.3 million, compared to US$156.6 million in the previous year. However, this record revenue did not translate positively into earnings with net profit for the year slipping by US$5.3 million to register US$0.06 million in FY07.

Group's profit was largely undermined by the unexpected rescheduling of sales orders in LCD Backlight Units ("LCD BLU") division. It was further diluted by high labour cost and material consumption as well as an increase in overall distribution expenses as a result of the relocation of production of LCD BLU from our Dongguan plant to our Shanghai plant to meet the logistic needs of one key customer. Consequently, operating profit for this division dropped to US$1.9 million, representing a 63.5% decline as compared to last year. Overall in this division, these reduced the operating profit by approximately US$2.7 million or 3 percentage points in margin.

Meanwhile, business performances of the LCD Frames division was adversely affected by the factory relocation to the newly built Suzhou plant. A slowdown of the orders placed by our customers kept the utilization at a low level and the division incurred an operating losses of US$1.4 million for the whole year as compared to an operating profit of US$0.5 million recorded in previous year.

Chairman's Statement

We completed the acquisition of the remaining 48.63% shareholding interests of Tomoike Industrial Co., Limited ("TM Japan") in September 2007 and the Company elected to settle the purchase consideration by issuing new ordinary shares in the share capital of the Company. The consolidation of the results of TM Japan benefited the Group's Precision Accessories division, in which revenue increased by 30.8% to US$25.5 million; and the operating profit increased by 13.8% to US$3.3 million in FY07.

Despite the decline in the Group's profitability, the Group's balance sheet remained healthy. Cash and bank balances recorded US$29.5 million compared to US$26.8 million in FY06. Gearing ratio maintained at a healthy level of 0.4 compared to 0.3 in FY06.

Outlook

For the year ahead, demand for our core products remains strong while the industry is expected to remain highly competitive. The Group is exposed to the unabated appreciation in RMB and fluctuation of Japanese yen which could have impact on the Group's profitability.

Chairman's Statement

In view of low order visibility resulted from more frequent model changes with shorter product life cycles, the Group mapped out a series of strategies, which aims to mitigate cyclical effects and maintain stability in the Group's operations for FY08. Our strategy is to focus on operating at optimal production capacity and keeping fluctuation at bay by means of maintaining persistently high and stable utilization rate. Further through cost containment and securing bulk discounts for raw materials, we are confident our margins will hence be improved.

On top of maintaining partner-supplier relationship with key customers on new product development, we continue to enhance our competitive strengths through diversification. In particular, we work to secure new product programs and expand our customer base in order to reduce reliance on just a few key customers.

In addition, the Group has always maintained close relationships with suppliers for exchanging market intelligence with a view of sourcing alternative quality raw materials at competitive prices.

Our Suzhou plant is regaining more sales orders and is rebuilding its utilisation comparable to previous years. We expect Suzhou plant, which offers a wider range of value-added services to our customers, to resume as a growth impetus to LCD Frames division.

The Group is in the midst of establishing its new plant in Dongguan for its precision accessories business in Southern China. Currently, most of its precision accessories orders are outsourced. With the new plant in place, margins are expected to increase as outsourced rates decline. This new plant is expected to be ready by second quarter in FY08 and will be running on full capacity once all the outsourced orders are directed into in-house production through the new plant by end of 2008 or early 2009.

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

Dividends

The Board of Directors is proposing a final dividend of 0.1 US cents per ordinary share, in addition to an interim dividend of 0.1 US cents per ordinary share paid on 5 October 2007.

Chairman's Statement

Appreciation

Lastly we are delighted that two directors - one executive director and one independent non-executive director - have joined the Group during FY07. With their experiences and expertise in their field, we believe the resultant well-balanced Board will steer CDW towards creating shareholders' value.

On behalf of the Board, I would like to extend my gratitude to my fellow directors, the management and staff for their dedication and contribution towards the Company. We would also like to thank our business partners, customers and shareholders for their continual support during the year. We look forward to your continued support and will continue to make every effort to ensure that CDW remains a valuable investment to all.

YOSHIMI Kunikazu
Chairman and Chief Executive Officer

Financial and Operations Review

Group revenue rose 6.9% to US$167.3 million and gross profit grew 14.3% to US$28.8 million. However, net profit fell to US$0.06 million.

+ 6.9%
Revenue

+ 14.3%
Gross Profit

FINANCIAL REVIEW

Profit and Loss

The Group's total revenue for FY07 was recorded at US$167.3 million, up 6.9% from the previous year's revenue of US$156.5 million. Gross profit experienced a small growth to US$28.8 million, a 14.3% increase from US$25.2 million in previous year. Net profit after income tax for the year showed a decline compared to previous year, standing at US$0.06 million for FY07 with a net loss of US$0.3 million attributable to equity holders.

The increase in revenue and the improvement in gross margin were attributable to the contribution from TM Japan, of which the acquisition was completed in September 2007. In FY07, TM Japan contributed US$31.3 million to the Group's turnover. On the whole, the Group's gross profit margin improved by 1.2 percentage points to 17.3% in FY07. Profit before income tax decreased by 83.8% to US$1.0 million in FY07.

The overall profitability is under challenge; the profit generated in the Precision Accessories and Trading divisions is being offset by the losses made in LCD Frames division. In the second and third quarters of FY07, the LCD Backlight Units division experienced unexpected rescheduling of sales orders and the relocation of production, which adversely affected its profit contribution to the Group and increased the overall operating expenses.

Apart from the above, the consolidation of the full year's operating expenses of TM Japan in FY07, as compared to the consolidation of its result for the second half of the previous year, also led to the increase in the distribution and administrative expenses.

Financial and Operations Review

Distribution expenses increased approximately 67.0% to US$4.8 million, in which approximately US$0.7 million was directly attributable to the relocation of production as mentioned above.

Administration expenses, which took a heavy toll on the Group's profit, amounted to US$23.3 million, marking a 39.7% increase as compared to the previous year. The surge in administrative expenses was primarily due to increase in staff-related expenses arising from more headcounts and salary review.

The finance costs for the year amounted to US$0.8 million, which remained at a low level as comparable to previous year. The Group continues its low debt policy and maintains a strong net cash position.

Other operating income increased by 9.9% to US$1.1 million in FY07 over previous year. It mainly consisted of the income from the sales of scrap materials.

Effective tax rate for FY07 was at 19.2% as compared to 11.2% in previous year. The Group will leverage its operations to improve the overall tax efficiency.

Earnings per share ("EPS") declined to a loss of 0.06 US cents per share, as compared to a profit of 1.06 US cents in the previous year. The Board of Directors has also recommended a final dividend of 0.1 US cents per ordinary share, in addition to an interim dividend of 0.1 US cents per ordinary share paid on 5 October 2007. The Board of Directors will review the Group's operations and cash position from time to time to ensure it has the optimum capital structure which takes account of the interests of shareholders and the Group's operational and business needs.

Financial and Operations Review

Balance sheet

As at 31 December 2007, the total assets and liabilities of the Group stood at US$104.4 million and US$51.4 million respectively. Non-current assets mainly comprised property, plant and equipment, investments, goodwill and prepaid lease payments. Included in available-for-sales investments was a convertible loan with a mobile phone company with which the Group intends to form a strategic alliance in a niche handset market to increase sales in LCD BLU division in future.

The decrease in goodwill was caused by a negative goodwill, being the amount of net assets acquired less the acquisition cost, arising from the Second Tranche Sales Shares of TM Japan. This negative goodwill was offset against the goodwill arising from the First Tranche Sales Shares of TM Japan as a part of the price adjustment to the total acquisition cost of TM Japan.

Current assets decreased by approximately 2.0% to US$73.5 million, mainly due to a decrease in trade receivables, other receivables and prepayments in line with lower sales in the last quarter of FY07. Cash and bank balances and pledged bank deposits increased by 11.8% to US$31.1 million, which was resulted from the settlement of trade receivables. The Group had cash net of borrowings amounting to US$10.9 million as at 31 December 2007.

Current liabilities also decreased to US$45.9 million in FY07, from US$46.1 million in the previous year, which mainly consisted of bank and other borrowings, trade payables and other payables and accruals. Non-current liabilities increased to US$5.5 million by US$1.2 million as a result of the increase in long-term bank loans.

Group borrowings increased by 51.5% to US$20.3 million as at 31 December 2007 from US$13.4 million as at 31 December 2006 as a result of new short-term bank loans for financing working capital and new long-term bank loans for financing the Group's capital expenditure as well as the investment in the convertible loan mentioned above.

Issued capital increased from US$9.8 million as at 31 December 2006 to US$10.1 million as at 31 December 2007. Total shareholders' equity increased to US$52.9 million as at 31 December 2007 compared to US$49.6 million in the previous year. Net asset value per share rose by approximately 2.8% to 10.45 US cents as at 31 December 2007 from 10.17 US cents as at 31 December 2006.

Key Financial Data

In US$mn	FY2007	FY2006	FY2005
Total Assets	104.3	103.6	72.8
Total Liabilites	51.4	50.5	25.8
Current Assets	73.5	75.0	57.1
Current Liabilities	45.9	46.1	24.2
Shareholders' Equity	52.9	49.6	47.0
Revenue	167.3	156.6	106.2
Profit before tax	1.0	6.1	10.1
Profit after tax	0.1	5.4	8.9
EPS (US cents)	(0.1)	1.1	1.9

Financial and Operations Review

OPERATIONS REVIEW

LCD Backlight Units ("LCD BLU") Division

Revenue from the core LCD BLU division slightly declined to US$92.7 million as compared to US$93.1 million in previous year. In FY07, the division contributed approximately 55.5% of the Group's turnover, compared to approximately 59.4% in FY06. Currently, the Group is supplying indirectly to the top global mobile phone players. In terms of the LCD BLU business for gamesets, the Group has the substantial market share for supplying BLUs indirectly to one of the leaders in the gaming and entertainment industry.

During the year under review, the LCD BLU division experienced unexpected rescheduling of sales orders and relocation of production from Dongguan plant to Shanghai plant to meet the logistic needs of one key customer. As Shanghai plant was operating at full production capacity at the relevant time, our workforce was not able to cope with the sudden surge. This resulted in a high defective rate and, hence, high materials consumption in the production. Material cost contributes to a very significant amount of the production cost. Consequently earnings before interest tax ("EBIT") declined by approximately 63.5% to US$1.9 million in FY07 as compared to US$5.2 million in FY06.

The order-book for this division remained strong. Currently, the Group's total production capacity is 6 million units a month. The production volumes of BLUs for handsets have increased from 27.9 millions units in FY06 to 31.7 millions units in FY07 while the production volumes for gamesets and other handhelds have rose from 14.9 million units in FY06 to 25.0 million units in FY07.

The major concern of this division is the low order visibility resulted from more frequent model changes with shorter product life cycles. The Group mapped out a series of strategies, aiming to mitigate the cyclical effects and maintain stability in the Group's operations for FY08, which includes shifting strategic focus from pursuing market share to operating at optimal production capacity and keeping fluctuation at bay by means of maintaining persistently high and stable utilization rate. Further through cost containment, securing bulk discounts for raw materials and focusing more resources to higher margin LCD BLU products, the Group will be able to improve the profit margins for this division.

The Group continues to explore more opportunities to diversify into other new product programs and broaden its customer base in this division. It also continues to leverage on the development of higher production capabilities enabled by the joint efforts of marketing and 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)

	FY2007	FY2006	* FY2005
Revenue (US$mn)	92.7	93.1	51.9
EBIT (US$mn)	1.9	5.2	4.8
Gross floor area (sqm)	26,594	26,594	23,708
Clean room area (sqm)	7,159	7,159	6,480
Number of workers	2,391	2,828	2,373
Production capacity (units/mth)	6,000,000	6,000,000	6,000,000

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

Financial and Operations Review

LCD Frames Division

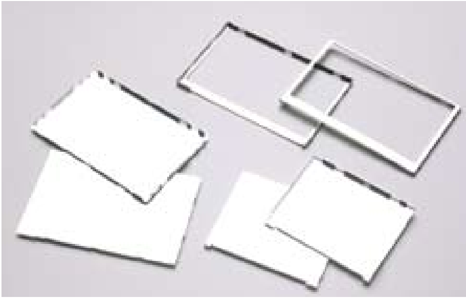
In LCD Frames division, the construction of new Suzhou plant was completed in the second quarter of FY07 with production capacity being doubled. After the production commenced in July 2007, it offers assembly functions in high standard clean room and more value-added services to its customers.

Performance of the LCD Frames division was badly affected by the relocation of production facilities to the new factory. The relocation resulted in slowdown of sales orders which kept the untilisation at low level. The relocation completed in July 2007, but the sales of LCD Frames division only started to recover in late 4Q07. Revenue for this business division posted US$11.6 million with EBIT declined to a loss of US$1.4 million for FY07.

In late December 2007, the Group started to regain customers' confidence with more long-term sales orders being placed and to rebuild its utilisation comparable to previous years.

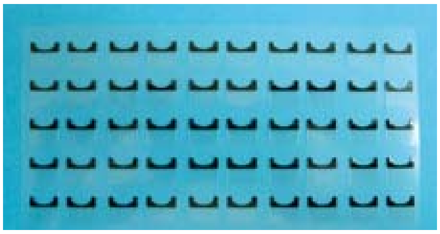
Operating subsidaries:
Crystal Display Components (Suzhou) Co., Limited (CD Suzhou)

	**FY2007	FY2006	*FY2005
Revenue (US$mn)	11.6	14.0	17.5
EBIT (US$mn)	(1.4)	0.5	3.2
Gross floor area (sqm)	10,468	8,160	8,160
Clean room area (sqm)	1,950	_	_
Number of workers	644	689	396



* A new factory commenced operations in January 2005
** Relocation of production to a new factory was completed in July 2007
(Figures are based on December of each year)

Financial and Operations Review



Precision Accessories Division

Overall, business for this division improved as a result of TM Japan's contribution. Revenue in Precision Accessories division increased by 30.8% to US$25.5 million. Overall EBIT increased by 13.8% to US$3.3 million in FY07 as compared to previous year.

The Group is in the midst of establishing its new plant in Dongguan for its precision accessories business in Southern China, and intends to direct all existing outsourced precision accessories orders into in-house production. This new plant is expected to be ready by second quarter in FY08 and will be running on full capacity by end of 2008 or early 2009. With the new plant in place, margins are expected to increase as outsourced rates decline.

Operating subsidaries:
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)

	FY2007	**FY2006	*FY2005
Revenue (US$mn)	25.5	19.5	16.5
EBIT (US$mn)	3.3	2.9	3.7
Gross floor area (sqm)	11,350	10,810	7,400
Number of workers	1,182	1,053	640

* 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)

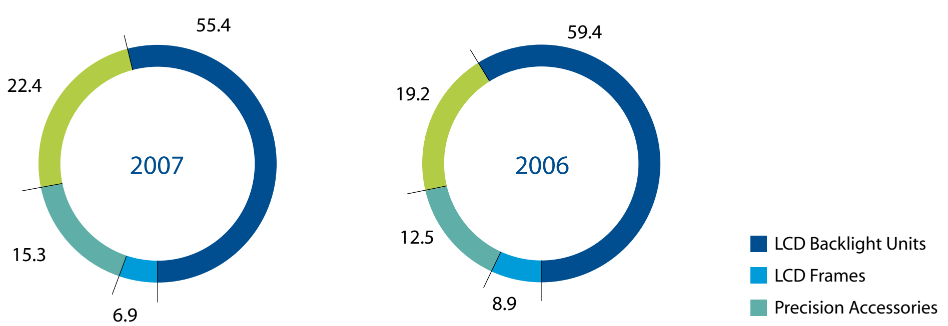
Financial And Operations Review

Parts Trading Division

With contribution from TM Japan, revenue in FY07 grew by approximately 25.1% to US$37.5 million. The percentage contribution of the division to the Group's revenue rose to 22.4% in FY07 from 19.2% in the previous year.

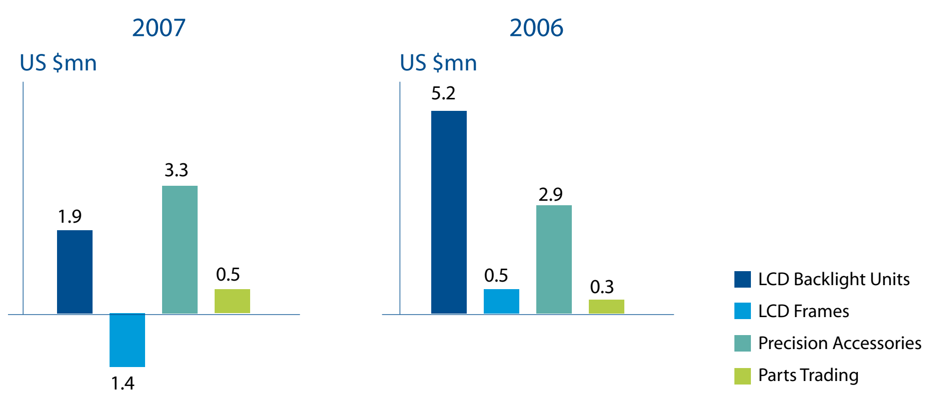
In terms of profitability, the division also performed better than the previous year. EBIT in FY07 rose to US$0.5 million as compared to US$0.3 million of last year. Despite low margins, the segment remains essential to the Group's growth as it enables the Group to offer more comprehensive solutions to its customers' outsourcing needs.

SEGMENTAL ANALYSIS



Revenue growth

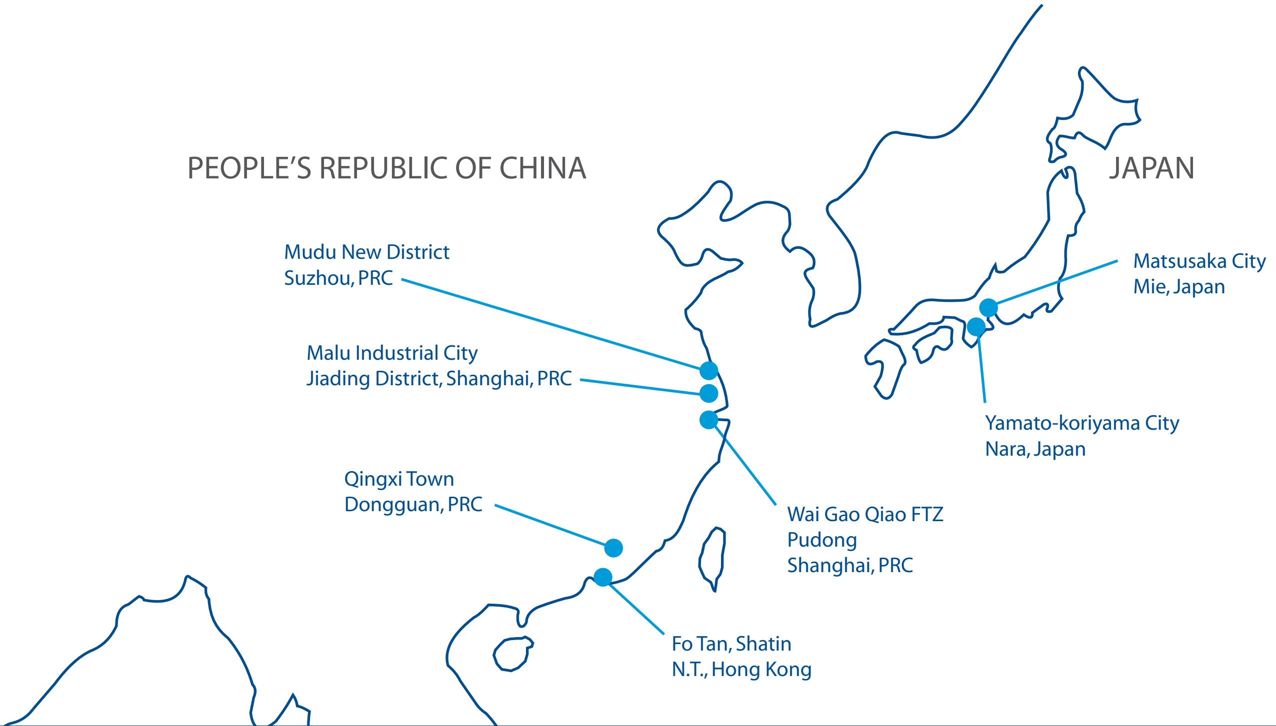
US$mn	FY2007	FY2006	%Change
LCD Backlight Units	92.7	93.1	(0.4)
LCD Frames	11.6	14.0	(17.1)
Precision Accessories	25.5	19.5	30.8
Parts Trading	37.5	30.0	25.0



EBIT Growth

US$mn	FY2007	FY2006	%Change
LCD Backlight Units	1.9	5.2	(63.5)
LCD Frames	(1.4)	0.5	(380.0)
Precision Accessories	3.3	2.9	13.8
Parts Trading	0.5	0.3	66.7

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.

Crystal Display Components (Shanghai) Co., Limited

Tomoike Electronics (Shanghai) Co., Limited

Tomoike Precision Machinery (Shanghai) Co., Limited

Crystal Display Components (Suzhou) Co., Limited

Tomoike Industrial Co., Limited

Tomoike Precision Machinery (Dongguan) Co., Limited

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 27 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 and Chief Operating Officer of our Group appointed on 5 March 2007. As the Chief Operating Officer, Mr. Urano is in charge of the overall operations of the Group and is responsible for overall strategy, planning and development. He is also actively involved in the sales and marketing, and new product development functions of the Group. He has more than 13 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 in Japan, in particular. He has over 22 years of experience in sales and marketing in a number of Japanese companies at managerial level. He joined our Group in 2000 as the Deputy General Manager of TM Hong Kong and promoted to the General Manager in August 2004. Mr. Kiyota was appointed as the executive managing director of TM Japan in August 2007.

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 20 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, The Institute of Chartered Accountants in England and Wales and a Fellow Member of the Association of Chartered Certified Accountants.

Board of Directors

HO Yew Mun

Independent Director of our Group, appointed on 31 December 2007. Mr. Ho has extensive experience in the securities markets, both Singapore and regionally. He is currently an Executive Director of Ho Yew Mun Pte Ltd, a company providing business advisory services and an Independent Director of Epure International Ltd. Mr. Ho is a Fellow Member of the Association of Chartered Certified Accountants (ACCA, London) and the Institute of Certified Public Accountants (Singapore), holds a Master in Business Administration degree from Victoria University, Wellington, New Zealand and is also a full Member of the Singapore Institute of Directors. He is an international member of the ACCA, International Assembly.

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 20 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, and a Member of The Institute of Chartered Accountants in England and Wales.

WONG Chak Weng

Independent Director of our Group. Mr. Wong is a practising lawyer with more than 27 years of experience and, is presently, a consultant at Soh, Wong & Yap, Advocates and Solicitors. His areas of practice include general 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 several private companies, including Prudential Asset Management (Singapore) Limited, Prudential Fund Management Services Pte Ltd, Prudential Property Investment Management Pte Ltd, Russell Investment Group Pte Ltd and 2 charitable organizations, Lutheran Community Care Services Limited and the Singapore Anti-Tuberculosis Association. He is also currently an Independent Director of Old Chang Kee Ltd and Director of both JNC Corporate Services Pte Ltd. and TMF Singapore Pte Ltd.

WONG Yik Chung, John

Independent Director of our Group. Mr. Wong is a professional accountant by training with more than 19 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 Group Limited and Golden Resources Development International Limited. 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 Southern China. 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 20 years of experience in the auditing and accounting profession. Mr. Dymo graduated from the University of Birmingham, England and is a Member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

SAKAI Akira

Head of Human Resources of our Group. Mr. Sakai is responsible for overseeing the personnel management and the human resource affairs of our Group. 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 and Corporate Planning of our Group. Mr. Lee is responsible for overseeing the production facilities of our 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 11 years of experience in sales and marketing in Japan. He is responsible for the corporate planning of our Group, and also addresses the improvement of business performance of our group.

Key Executive Officers

SHINJO Kunihiko

Head of Finance (Group Coordinator) of our Group. Mr. Shinjo is responsible for coordinating financial activities across our Group and establishing relationships with financial institutions in Japan. He has more than 21 years of experience in accounting, financial control, treasury management and tax compliance in Japan. He joined our Group as the Branch Manager of Osaka Representative Office of TM Hong Kong in 2005.

EGUCHI Yasunori

Head of Operations (Project Coordination) of our Group. Mr. Eguchi is responsible for coordinating various business functions and ad hoc projects in our Group. He graduated with a Bachelor of Engineering from the University of Saga. He has over 19 years of experience in project management in charge of numerous large-scale projects in numerous countries. He has assumed senior management position for more than 13 years. Mr. Eguchi was appointed as the general manager of TM Hong Kong in August 2007 and also aggressively involved in the strategic business improvement activities for our Group.

Company Secretary

TAN San-Ju

Ms. Tan is a 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 21 years experience in corporate secretarial work and is currently Company Secretary of several companies listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGXST"). She is a Director of Boardroom Corporate & Advisory Services Pte. Ltd. (BCAS) which provides corporate secretarial services and share registration services. BCAS is wholly owned subsidiary of Boardroom Limited, which is listed on the Mainboard of the SGX-ST.

Legal Counsel

LEE Teck Leng, Robson

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.

Corporate Milestones

1991
Our founder, Mr. Yoshimi, set up TM Hong Kong as a private trading company in Hong Kong, which 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.

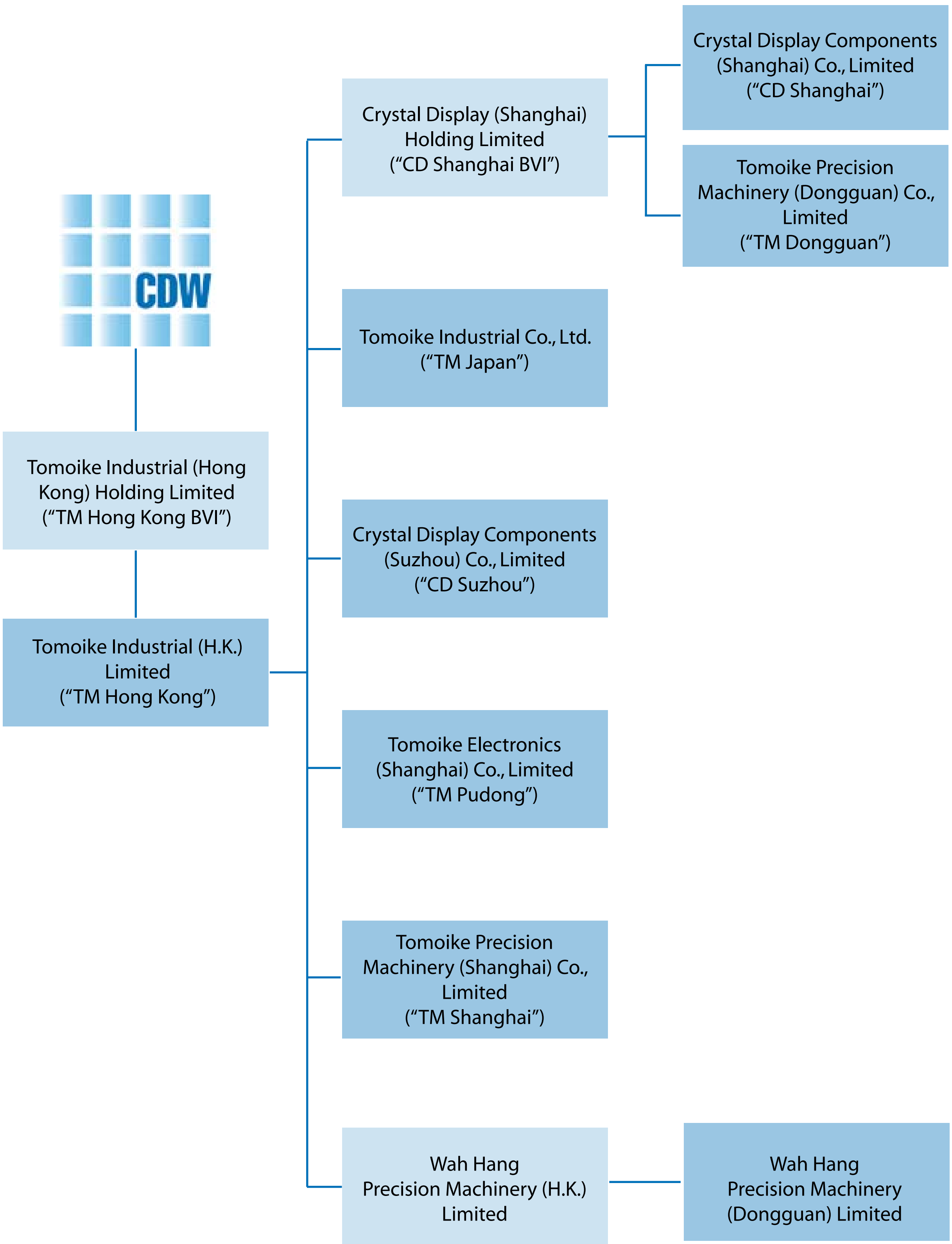
2006
The Group acquired the controlling stake in TM Japan in July. TM Japan joined the Group to extend the Group's sales and marketing network in Japan, supplying precision components for LCD backlight units and related products and supplying and manufacturing precision accessories for office equipment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

2007
CD Suzhou completed the relocation to new factory in accordance with our expansion plan in July.

The Group completed the acquisition of TM Japan by issuing 18,405,221 new shares as consideration in September. As a result of the completion, TM Japan has become a wholly-owned subsidiary of the Group.

The Group devoted more resources to expanding production capacity for Precision Accessories division to serve customers in Southern China in December.

Corporate Structure



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

HO Yew Mun

NG Wai Kee

WONG Chak Weng

WONG Yik Chung, John

Key Executive Officers

CHAN Kam Wah

DYMO Hua Cheung, Philip

EGUCHI Yasunori

LEE Haeng Jo (also known as MORIYAMA Kozo)

SAKAI Akira

SHINJO Kunihiko

Company Secretary

TAN San-Ju, FCIS

Legal Counsel

LEE Teck Leng, Robson, LLB (Hons)

Audit Committee

NG Wai Kee (Chairman)
HO Yew Mun
WONG Chak Weng
WONG Yik Chung, John

Remuneration Committee

WONG Yik Chung, John (Chairman)
HO Yew Mun
NG Wai Kee
WONG Chak Weng

Nominating Committee

WONG Chak Weng (Chairman)
HO Yew Mun
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

Boardroom Corporate & Advisory Services 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

Corporate Governance Report

for the financial year ended 31 December 2007

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 2007 and as at the date of this report are as follows:

YOSHIMI Kunikazu	(Chairman and Chief Executive Officer)	
URANO Koichi	(Executive Director)	- Appointed on 5 March 2007
KIYOTA Akihiro	(Executive Director)	
LAI Shi Hong, Edward	(Executive Director)	
HO Yew Mun	(Independent Director)	- Appointed on 31 December 2007
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. With 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 delegated 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 require 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.

Corporate Governance Report

for the financial year ended 31 December 2007

The number of meetings held by the Board and Board Committees and attendance for the financial year 2007 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	–	–	–	–	–	–
URANO Koichi (Note 1)	3	2	–	–	–	–	–	–
KIYOTA Akihiro	4	3	–	–	–	–	–	–
LAI Shi Hong, Edward	4	4	–	–	3	3	–	–
HO Yew Mun (Note 2)	–	–	–	–	–	–	–	–
NG Wai Kee	4	4	7	7	3	3	3	3
WONG Chak Weng	4	4	7	7	3	3	3	3
WONG Yik Chung, John	4	4	7	6	3	3	3	3

Note 1: URANO Koichi was appointed as Director on 5 March 2007.
2: HO Yew Mun was appointed as Director on 31 December 2007 and a member of the Audit, Nominating and Remuneration Committees on 28 February 2008.

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 four Independent Directors. The Nominating Committee will review the independence of each Director annually 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 is of the opinion that there are adequate safeguards and checks to ensure that the decision-making process by the Board is independent of any influence from an individual to ensure a balance 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 four Independent Directors namely WONG Chak Weng, HO Yew Mun, NG Wai Kee, WONG Yik Chung, John and an 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);

(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") and once every three years.

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.

In selecting new directors and in re-nominating directors for re-election, the Nominating Committee will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In doing so, the Nominating Committee will have regard to the results of the annual evaluation of directors. Recommendations are put to the Board for its consideration.

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

Corporate Governance Report

for the financial year ended 31 December 2007

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 Secretary at all times. The Company Secretary who administer, attend and prepare minutes of Board meetings, assist the Chairman in ensuring that Board meeting procedures are properly followed and the Company's Bye-laws and relevant rules and regulations are complied with, including requirements of the Bermuda Companies Act and the SGX-ST.

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 four Independent Directors namely WONG Yik Chung, John, HO Yew Mun, 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 own remuneration package.

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

(a) to recommend to 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 options 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.

Corporate Governance Report

for the financial year ended 31 December 2007

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 2007 are as follows:

DIRECTOR'S REMUNERATION

Remuneration band and Name of Directors	Salary	Benefits-in-kind	Directors' Fees	Share options
S$500,000 to S$749,999				
YOSHIMI Kunikazu	87%	13%	–	–
S$250,000 to S$499,999				
URANO Koichi	90%	1%	–	9%
KIYOTA Akihiro	77%	13%	–	10%
Below S$250,000				
LAI Shi Hong, Edward	82%	–	–	18%
NG Wai Kee	–	–	100%	–
WONG Chak Weng	–	–	100%	–
WONG Yik Chung, John	–	–	100%	–

Remuneration of Key Executives (not being Directors)

Remuneration band and Name of Directors	Salary	Benefits-in-kind	Directors' Fees	Share options
S$250,000 to S$499,999				
LEE Haeng Jo	80%	13%	–	7%
EGUCHI Yasunori	70%	22%	–	8%
Below S$250,000				
CHAN Kam Wah	74%	15%	–	11%
DYMO Hua Cheung, Philip	86%	–	–	14%
SAKAI Akira	75%	15%	–	10%
SHINJO Kunihiko	89%	–	–	11%

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 S$150,000 but was less than S$250,000 during the year, is a relative of YOSHIMI Kunikazu, the Chairman and CEO of the Company.

Corporate Governance Report

for the financial year ended 31 December 2007

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. A total number of 18,056,000 options, which were granted on 12 September 2005, were cancelled during the year on the grounds that the objectives of the scheme had not been met. A total number of 20,496,000 options have been granted and accepted under the Scheme to a number of key executives (including three executive directors) of the Company 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 four Independent Directors namely NG Wai Kee, HO Yew Mun, 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 the Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that the management has created and maintained an effective control environment in the Company, and that the management demonstrates and stimulates the necessary aspect of the 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 the 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 adequacy and effective of material internal controls (including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors) and procedures and to ensure co-ordination between the external auditors and the management, reviewing the assistance given by the 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 the 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 the Board of Directors and will report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the 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 reviewed all interested person transactions between the Group and Tomoike Industrial Co., Limited up to 30 September 2007 in accordance with the guidelines and procedures under the Shareholders' Mandate approved by the shareholders at the Annual General Meeting held on 27 April 2007 (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 the external auditors. The AC meets with the external auditors without the presence of management once a year. 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 is 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 amount of non-audit fees paid to auditors for the financial year ended 31 December 2007 can be referred to page 83 of the Annual Report.

The AC established 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.

Corporate Governance Report

for the financial year ended 31 December 2007

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 designed 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 reviewed the internal audit reports on a quarterly basis. The Company is currently in the midst of setting up an in-house internal auditor team to carry out the internal audit function.

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 through our investor relations consultant's network. The Company ensures that price-sensitive information is publicly released on a timely basis. The Company does not practise selective disclosure.

All shareholders of the Company will receive the annual report and the notice of the general meetings. The notice is also advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at general meetings 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 to appoint 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 be present to assist the Directors in addressing any relevant questions from the shareholders.

Corporate Governance Report

for the financial year ended 31 December 2007

MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer or any Directors or controlling shareholders subsisting at the end of the year ended 31 December 2007 or entered into since the end of that financial year.

RISK MANAGEMENT

The Board considers the management of major business risks to be an important and integral part of the Group's overall internal control framework. Although the Company does not have a Risk Management Committee, 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. The Board is of the view that the Company has in place an adequate system of internal controls and that business risks facing the Company had been adequately addressed.

The financial risk management objectives and policies of the Group are discussed under Note 4 of the Notes to the Financial Statements, on pages 54 to 61 of the Annual Report.

DEALING IN SECURITIES

The Company has adopted a Best Practices Guide with respect to dealings in securities by Directors and officers of the Group. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing at least two 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.

Corporate Governance Report

for the financial year ended 31 December 2007

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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
1. Tomoike Industrial Co., Limited ("TM Japan")*		
Purchases of raw materials and semi-finished goods	–	16,519
Revenue From TM Japan for assembly of LCD backlight units and its related components and precision accessories for office and electrical appliances	–	7,738
2. J&T Flex Technology Co., Limited ("J&T")		
Purchase of parts for trading from J&T	465	–
3. Mikuni Co., Limited		
Support services and marketing services to TM Japan	112	–
Total	577	24,257

* The transactions with TM Japan were ongoing interested person transactions conducted pursuant to the IPT Shareholders' Mandate given on 8 November 2004 and subsequently renewed on 28 April 2005, 28 April 2006 and 27 April 2007 by the independent shareholders. These transactions with TM Japan were not regarded as interested person transactions after the completion of acquisition of TM Japan on 29 September 2007.

Financial Contents

Report of the Directors

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 2007.

1 DIRECTORS

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

YOSHIMI Kunikazu	(Chairman and Chief Executive Officer)	
URANO Koichi	(Executive Director)	– Appointed on 5 March 2007
KIYOTA Akihiro	(Executive Director)	
LAI Shi Hong, Edward	(Executive Director)	
HO Yew Mun	(Independent Director)	– Appointed on 31 December 2007
NG Wai Kee	(Independent Director)	
WONG Chak Weng	(Independent Director)	
WONG Yik Chung, John	(Independent Director)	

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 disclosed 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 2007**	**At beginning of year**	**At 31 December 2007**
The Company				
<u>- Ordinary shares of US$0.02 each</u>				
YOSHIMI Kunikazu	–	18,405,221	248,680,000	239,680,000
KIYOTA Akihiro	200,000	200,000	–	–
LAI Shi Hong, Edward	200,000	200,000	–	–
WONG Yik Chung, John	100,000	100,000	–	–

Mr Yoshimi is deemed to have an interest in 239,680,000 ordinary shares of the Company held by Mikuni Co., Limited by virtue of his shareholding in Mikuni Co., Limited.

Report of the Directors

Names of directors and companies in which interests are held	Direct interests At beginning of year	Direct interests At 31 December 2007	Deemed interest At beginning of year	Deemed interest At 31 December 2007
Tomoike Industrial Co., Limited ("TM Japan")				
- Ordinary shares				
YOSHIMI Kunikazu	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 Kunikazu 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 Kunikazu. The acquisition of the remaining 48.63% stake under the terms of a share purchase agreement has been completed in 2007. Additional information relating to this acquisition is provided in Note 32 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	1,952,000
LAI Shi Hong, Edward	3,416,000	1,464,000
URANO Koichi	–	1,952,000

The directors interest in the shares and options of the Company at 21 January 2008 were the same at 31 December 2007.

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 and the options as disclosed in paragraphs 3 and 5 of this report.

Report of the Directors

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.

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)
HO Yew Mun	(Independent Director)
NG Wai Kee	(Independent Director)
WONG Chak Weng	(Independent Director)

(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 2007	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2007	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
9 March 2007	–	20,496,000	–	–	20,496,000	S$0.130	10 March 2008 to 9 March 2012
Total	18,056,000	20,496,000	–	(18,056,000)	20,496,000		

Particulars of the options granted in 2005 under the scheme were set out in the Report of the Directors for the financial year ended 31 December 2005.

In respect of options granted to employees of related corporations, a total of 18,056,000 option were cancelled while a total of 20,946,000 options were granted during the financial year, making it a total of 20,946,000 options granted to employees of related corporations from the commencement of the Scheme to the end of the financial year.

Report of the Directors

Holders of the above share options have no right to participate in any share issue 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/ cancelled since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
KIYOTA Akihiro	1,952,000	5,368,000	–	(3,416,000)	1,952,000
LAI Shi Hong, Edward	1,464,000	4,880,000	–	(3,416,000)	1,464,000
URANO Koichi	1,952,000	1,952,000	–	–	1,952,000

6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by NG Wai Kee, an independent director, and includes HO Yew Mun, WONG Chak Weng and WONG Yik Chung, John, all of whom are independent directors. The Audit Committee has met 6 times since the last Annual General Meeting ("AGM") up to the date of this report 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.

Report of the Directors

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

25 March 2008

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 2007, 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 38 to 89.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) 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 management, 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 2007 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
25 March 2008

Balance Sheets

As at 31 December 2007

	Note	Group		Company	
		2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
ASSETS					
Current assets					
Cash and bank balances	6	29,509	26,836	92	91
Trade and other receivables	7	28,782	33,193	30	9
Prepaid lease payments	8	9	–	–	–
Inventories	9	13,617	13,977	–	–
Pledged bank deposits	6	1,622	1,016	–	–
Total current assets		73,539	75,022	122	100
Non-current assets					
Goodwill	10	1,516	3,569	–	–
Investments	11	3,537	1,979	1,511	–
Other assets	12	675	1,295	–	–
Amount due from a subsidiary	13	–	–	18,303	18,077
Prepaid lease payments	8	442	–	–	–
Property, plant and equipment	14	24,653	21,221	–	–
Subsidiaries	15	–	–	10,397	10,184
Deferred tax assets		–	471	–	–
Total non-current assets		30,823	28,535	30,211	28,261
Total assets		104,362	103,557	30,333	28,361
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other borrowings	16	16,320	11,278	–	–
Trade and other payables	17	28,643	34,163	182	164
Current portion of finance leases	18	397	388	–	–
Income tax payable		531	301	–	–
Total current liabilities		45,891	46,130	182	164
Non-current liabilities					
Bank and other borrowings	16	3,950	2,079	–	–
Finance leases	18	324	465	–	–
Retirement benefit obligations	19	636	542	–	–
Deferred tax liabilities	20	626	1,253	–	–
Total non-current liabilities		5,536	4,339	–	–
Capital, reserves and minority Interests					
Share capital	22	10,128	9,760	10,128	9,760
Reserves		42,807	39,873	20,023	18,437
Equity attributable to equity holders of the Company		52,935	49,633	30,151	28,197
Minority interests		–	3,455	–	–
Total equity		52,935	53,088	30,151	28,197
Total liabilities and equity		104,362	103,557	30,333	28,361

Consolidated Profit and Loss Statement

Year ended 31 December 2007

	Note	Group 2007 US$'000	Group 2006 US$'000
Revenue	24	167,336	156,586
Cost of sales		(138,441)	(131,298)
Gross profit		28,895	25,288
Other operating income	26	1,057	962
Distribution costs		(4,837)	(2,897)
Administrative expenses		(23,339)	(16,704)
Finance costs	27	(791)	(552)
Profit before tax	28	985	6,097
Income tax expense	29	(928)	(682)
Profit for the year		57	5,415
Attributable to:			
Equity holders of the Company		(277)	5,168
Minority interests		334	247
		57	5,415
(Loss) Earnings per share (US cents)			
Basic	31	(0.06)	1.06
Diluted	31	(0.06)	N/A

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Share Capital US$'000	Share premium of the Company US$'000	Share option reserve US$'000	Merger reserve US$'000 (Note 23)	Reserve Fund US$'000 (Note 23)	Enterprise Expansion Fund US$'000 (Note 23)	Other Reserve US$'000 (Note 23)	Revaluation reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Attributable to equity holders of the Company US$'000	Minority interests US$'000	Total US$'000
Group													
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	–	948
Net income recognised directly in equity	–	–	–	–	–	–	–	12	948	–	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
Gains on fair value changes for available-for-sale investments	–	–	–	–	–	–	–	6	–	–	6	–	6
Currency translation differences	–	–	–	–	–	–	–	–	3,088	–	3,088	–	3,088
Net income recognised directly in equity	–	–	–	–	–	–	–	6	3,088	–	3,094	–	3,094
Profit for the year	–	–	–	–	–	–	–	–	–	(277)	(277)	334	57
Total recognised income and expense for the year	–	–	–	–	–	–	–	6	3,088	(277)	2,817	334	3,151
Transfer on cancellation of share options	–	–	(542)	–	–	–	–	–	–	542	–	–	–
Transfer	–	–	–	–	1,673	1	6	–	–	(1,680)	–	–	–
Issue of share capital as consideration for acquisition of remaining equity interest of a subsidiary [Note 32(b)]	368	1,368	–	–	–	–	–	–	–	–	1,736	–	1,736
Minority interests in relation to the acquisition of the remaining equity interest of a subsidiary [Note 32(b)]	–	–	–	–	–	–	–	–	–	–	–	(3,789)	(3,789)
Share-based payment expense	–	–	213	–	–	–	–	–	–	–	213	–	213
Dividends paid (Note 30)	–	–	–	–	–	–	–	–	–	(1,464)	(1,464)	–	(1,464)
Balance at 31 December 2007	10,128	19,022	213	(7,020)	4,108	303	1,163	18	4,717	20,283	52,935	–	52,935

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Retained earnings US$'000	Total US$'000
Company					
Balance at 1 January 2006	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
Dividend paid (Note 30)	–	–	–	(3,904)	(3,904)
Balance at 31 December 2006	9,760	17,654	542	241	28,197
Net profit for the year	–	–	–	1,469	1,469
Total recognised income and expense for the year	–	–	–	1,469	1,469
Transfer on cancellation of share options	–	–	(542)	542	–
Recognition of share-based payments	–	–	213	–	213
Issue of share capital as consideration for acquisition of remaining equity interest of a subsidiary [Note 32(b)]	368	1,368	–	–	1,736
Dividend paid (Note 30)	–	–	–	(1,464)	(1,464)
Balance at 31 December 2007	10,128	19,022	213	788	30,151

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Group	
	2007	2006
	US$'000	US$'000
Operating activities		
Profit before tax	985	6,097
Adjustments for:		
Depreciation of property, plant and equipment	3,632	2,833
Amortization of prepaid lease payments	5	–
Interest income	(307)	(344)
Interest expense	791	552
Loss on disposal of property, plant and equipment	110	10
Allowances for, and write-down in inventories	530	201
Share-based payment expense	213	444
Retirement benefit obligations	94	40
Gain on disposal of other assets	(227)	(2)
Operating cash flows before movements in working capital	5,826	9,831
Trade and other receivables	5,303	4,248
Inventories	578	(1,731)
Trade and other payable	(6,608)	(1,645)
Cash generated from operations	5,099	10,703
Net income tax paid	(814)	(2,110)
Interest paid	(791)	(552)
Net cash from operating activities	3,494	8,041
Investing activity		
Net cash outflow on acquisition of subsidiary [Note 32(b)]	–	(1,540)
Proceeds on disposal of property, plant and equipment	486	303
Proceeds on disposal of other assets	1,136	8
Purchase of plant and equipment representing net cash used in investing activity *	(6,355)	(6,042)
Increase in other assets	(286)	–
Additional investment in available-for-sale investments	(1,525)	–
Interest income received	307	344
Net cash used in investing activities	(6,237)	(6,927)
Financing activities		
(Increase) Decrease in pledged bank deposits	(606)	917
Proceeds from bank borrowings	97,498	65,701
Repayment of finance leases	(458)	(388)
Repayment of bank borrowings	(90,493)	(59,152)
Dividend paid	(1,464)	(3,904)
Net proceeds from issue of shares [Note 32(b)]	–	–
Net cash from financing activities	4,477	3,174
Net increase in cash and cash equivalents	1,734	4,288
Cash and cash equivalents at beginning of year (Note 6)	26,836	22,070
Net effect of currency translation differences	939	478
Cash and cash equivalents at end of year (Note 6)	29,509	26,836

* The Group acquired property, plant and equipment with aggregate cost of approximately US$6,681,000 (2006 : US$6,404,000) of which US$326,000 (2006 : US$362,000) was acquired by means of finance leases. Cash payments of approximately US$6,355,000 (2006 : US$6,042,000) were made to purchase property, plant and equipment.

Notes to Financial Statements

Year ended 31 December 2007

1. GENERAL

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 are set out in Note 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 2007 were authorised for issue by the Board of Directors on 25 March 2008.

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 2007. The adoption of these new/revised Standards and Interpretations has no material effect on the amounts reported for the current or prior years.

The Group has adopted the disclosure requirements of IFRS 7 "Financial Instruments : Disclosures" and amendments to IAS 1 "Presentation of Financial Statements relating to capital disclosures" retrospectively. The adoption of IFRS 7 and the amendments to IAS 1 expands the disclosures in these financial statements regarding the Group's financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital (see Note 4) as required by the amendments to IAS 1 which are effective from annual periods beginning on or after 1 January 2007.

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

IAS 1 (Revised)	Presentation of Financial Statements (Revised)
IAS 23 (Revised)	Borrowing Costs (Revised)
IAS 27 (Revised)	Consolidated and separate financial statements
IAS 32 & IAS 1 (Amendments)	Putttable instruments and obligations arising on liquidation
IFRS 2 (Amendment)	Share-based payments (amendments relating to vesting conditions and cancellations)
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating segments
IFRIC 11	IFRS 2 – Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

Notes to Financial Statements

Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Consequential amendments were also made to various Standards and Interpretation as a result of these new/revised statements.

The directors anticipate that the adoption of above IAS and IFRS, and IFRIC will not have a material impact on the financial statements of the Company and of the Group in the period of initial application..

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.

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 are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

BUSINESS COMBINATIONS - The 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 (Cont'd)

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, plus 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", "held to maturity investments" 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, or where appropriate, a shorter period. 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 11. 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 and loss statement. Where the investment is disposed or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit and loss statement for the period. Dividends on available-for-sale equity instruments are recognised in profit and loss statement 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 and loss statement, and other changes are recognised in equity.

Held-to-maturity investments

Investments for which the Group has the positive intent and ability to hold to maturity are classified as 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.

Loan and 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 (Cont'd)

Impairment of financial assets

Financial assets, 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 and loss statement. Changes in the carrying amount of the allowance account are recognised in profit and loss statement.

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 and loss statement 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

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 and loss statement, 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 and loss statement 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.

Notes to Financial Statements

Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 machinery	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 and depreciation method are reviewed at each year end, with the effect of any change in estimates 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 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

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.

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.

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.

Notes to Financial Statements

Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use. All other borrowing cost 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 statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 its subsidiaries operate, by the balance sheet date.

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.

Notes to Financial Statements

Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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

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.

Critical judgements in applying the Group's accounting policies

Management is of the view that apart from those involving estimates as set out below, it has made no critical judgement in the process of applying the Group's accounting policies and that would have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the 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:

<u>Allowance for inventories</u>

In determining the net realisable value of the Company's inventories, management estimated the the recoverable amount of inventories based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations in price, the balance on hand relative to sales prospects and the condition of the inventories. The allowances for inventories as at 31 December 2007 amounted to US$530,000 (2006: US$201,000).

<u>Impairment of goodwill</u>

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 10.

Notes to Financial Statements

Year ended 31 December 2007

4. FINANCIAL RISKS AND MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Held-to-maturity investments	988	979	–	–
Loans and receivables (including cash and cash equivalents)	59,339	60,450	18,425	18,177
Available-for-sale financial assets	2,549	1,000	1,511	–
Financial liabilities				
Amortised cost	50,270	48,915	182	164

(b) Financial risk management policies and objectives

The Group uses a variety of derivative financial instruments to manage its exposure to foreign currency risk, including:

- forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables and firm commitments to buy or sell goods; and

- currency swaps to mitigate the risk of exchange rate fluctuation.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including Chinese Renminbi ("RMB"), Hong Kong ("HK") Dollar and Japanese Yen ("Yen") and is therefore exposed to foreign exchange risk.

4. FINANCIAL RISKS AND MANAGEMENT (Cont'd)

The carrying amounts of significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2007	2006	2007	2006	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Yen	4,136	2,276	3,013	6,291	–	–	–	–
US Dollars	16,025	9,435	25,841	17,909	–	–	–	–
RMB	–	–	–	32	–	–	–	–
HK Dollars	–	–	1,511	–	70	50	1,511	–

The Group may from time to time enter into forward exchange contracts and currency swaps 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 currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the foreign currency against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit before tax would increase (decrease) by:

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Yen	(112)	402	–	–
US Dollars	982	847	–	–
RMB	–	3	–	–
HK Dollars	151	–	144	(5)

Notes to Financial Statements

Year ended 31 December 2007

4. FINANCIAL RISKS AND MANAGEMENT (Cont'd)

If the relevant functional currency weakens by 10% against the functional currency of each Group entity, profit before tax would increase (decrease) by:

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Yen	112	(402)	–	–
US Dollars	(982)	(847)	–	–
RMB	–	(3)	–	–
HK Dollars	(151)	–	(144)	5

This is mainly attributed to outstanding on cash balances, receivables and payables at year end.

ii) Interest rate risk management

Certain of 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.

<u>Interest rate sensitivity</u>

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial liabilities at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of the instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/ decrease by US$57,000 (2006: increase/decrease by US$83,000). This is mainly attributed to the Group's exposure to interest rates on its variable rate net cash position.

The Group's sensitivity to interest rates has not changed significantly from the prior year.

4. FINANCIAL RISKS AND MANAGEMENT (Cont'd)

iii) Equity price risk management

The Group is exposed to price risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purpose.

Further details of these equity investments can be found in Note 11 to the financial statements.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to quoted equity price risks at the balance sheet date.

In respect of available-for-sale equity investments, if the inputs to the valuation model had been 10% higher/lower while all other variables were held constant:

- the Group's net profit for the year ended 31 December 2007 would have been unaffected as the equity investments are classified as available-for-sale and no investments were previously impaired; and

- the Group's asset revaluation reserves would increase/decrease by US$25,000 (2006: increase/decrease by US$23,000).

The Group's sensitivity to equity prices has not changed significantly from the prior year.

iv) Credit risk management

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. The top five groups of customers of the Group accounted for approximately 67% (2006: approximately 81%) of the total receivables as at the end of the year. Management considers the credit risk to be low as these customers are large reputable corporations with a good credit history.

An allowance is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management has evaluated the credit risk relating to outstanding debts at year end and has determined that there is no doubtful amount for which allowance is necessary.

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

v) Liquidity risk management

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

Notes to Financial Statements

Year ended 31 December 2007

4. FINANCIAL RISKS AND MANAGEMENT (Cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table included both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the balance sheet.

Group	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment to derive amortised cost	Total amortised cost carried in the balance sheet
	%	US$'000	US$'000	US$'000	US$'000	US$'000
2007						
Non-interest bearing	–	28,643	636	–	–	29,279
Finance lease liability (fixed rate)	4.11	426	337	–	(42)	721
Variable interest rate instruments	3.20	17,661	–	–	–	17,661
Fixed interest rate instruments	0.95	1,219	1,415	–	(25)	2,609
2006						
Non-interest bearing	–	34,163	542	–	–	34,705
Finance lease liability (fixed rate)	4.11	417	502	–	(66)	853
Variable interest rate instruments	4.65	9,791	–	–	–	9,791
Fixed interest rate instruments	0.98	1,737	1,864	–	(35)	3,566

4. FINANCIAL RISKS AND MANAGEMENT (Cont'd)

Company	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	After 5 years US$'000	Adjustment to derive amortised cost US$'000	Total amortised cost carried in the balance sheet US$'000
2007						
Non-interest bearing	–	182	–	–	–	182
2006						
Non-interest bearing	–	164	–	–	–	164

Non-derivative financial assets

The following tables detail the remaining contractual maturity for non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial asset on the balance sheet.

Group	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	After 5 years US$'000	Adjustment to derive amortised cost US$'000	Total amortised cost carried in the balance sheet US$'000
2007						
Non-interest bearing	–	28,460	988	–	–	29,448
Variable interest rate instruments	2.00	29,124	–	–	–	29,124
Fixed interest rate instruments	3.36	3,633	94	1,327	(750)	4,304

Notes to Financial Statements

Year ended 31 December 2007

4. FINANCIAL RISKS AND MANAGEMENT (Cont'd)

Group	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	After 5 years US$'000	Adjustment to derive amortised cost US$'000	Total amortised cost carried in the balance sheet US$'000
2006						
Non-interest bearing	–	32,829	979	–	–	33,808
Variable interest rate instruments	2.00	26,470	–	–	–	26,470
Fixed interest rate instruments	1.95	1,405	92	1,324	(670)	2,151

Company	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	After 5 years US$'000	Adjustment to derive amortised cost US$'000	Total amortised cost carried in the balance sheet US$'000
2007						
Non-interest bearing	–	30	–	–	–	30
Variable interest rate instrument	2.00	92	–	–	–	92
Fixed interest rate instrument	3.23	–	20,363	–	(549)	19,814
2006						
Non-interest bearing	–	9	–	–	–	9
Variable interest rate instruments	2.00	91	–	–	–	91
Fixed interest rate instruments	3.00	–	18,619	–	(542)	18,077

4. FINANCIAL RISKS AND MANAGEMENT (Cont'd)

vi) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions 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.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash for analysis.

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial asset and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Board of Directors reviews the capital structure on a semi-annual basis and whenever necessary. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2006.

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Year ended 31 December 2007

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.

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

	Group	
	2007 US$'000	2006 US$'000
Sales of goods*	–	(7,828)
Purchases of goods*	465	11,636
Support and marketing services received	112	225

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

	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 Kunikazu 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 was completed in 2007. Additional information relating to these acquisitions is provided in Note 32 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:

	2007 US$'000	2006 US$'000
Short-term benefits	1,880	1,422
Share-based benefits	168	231
	2,048	1,653

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	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Cash at bank	26,287	18,210	92	91
Fixed deposits	4,753	9,583	–	–
Cash on hand	91	59	–	–
	31,131	27,852	92	91
Less: Pledged bank deposits	(1,622)	(1,016)	–	–
Cash and cash equivalents in the cash flow statement	29,509	26,836	92	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$1,622,000 (2006: US$1,016,000) were placed as security for a bank borrowing Note 16(a). These deposits are classified as current assets as the corresponding bank borrowing is repayable within one year. (2006: repayable within one year).

Fixed deposits earn an average interest rate of 1.83% (2006: 1.85%) per annum and the tenure generally ranged from 30 to 90 days for Japanese Yen deposits (2006: Nil); 30 days for HK dollar deposits (2006: 30 days) and 10 days for RMB deposits (2006: 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	
	2007 US$'000	2006 US$'000
United States dollars	10,394	8,996
Japanese yen	1,569	3,908
Renminbi	–	32
Singapore dollars	11	–

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7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Amounts receivable from sale of goods:				
Outside parties	27,400	30,623	–	–
Related party (Note 5)	26	33	–	–
Total trade receivables	27,426	30,656	–	–
Other receivables	370	1,446	30	9
Tax recoverable	152	193	–	–
Deposits	412	496	–	–
Prepayment	335	319	–	–
Value-added tax recoverable	87	83	–	–
	28,782	33,193	30	9

The average credit period on sale of goods is 60 days (2006: 60 days). No interest is charged on the trade receivables.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$2,946,000 (2006: US$1,965,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	Group	
	2007 US$'000	2006 US$'000
Less than 30 days overdue	1,990	1,631
30 to 60 days overdue	672	285
Over 60 days overdue	284	49
	2,946	1,965

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

	Group	
	2007 US$'000	2006 US$'000
United States dollars	15,447	8,913
Japanese yen	1,444	2,383

8. PREPAID LEASE PAYMENTS

The prepaid lease payments comprise:

	Group	
	2007 US$'000	2006 US$'000
Leasehold land in the People's Republic of China:		
Long-term lease	451	–
Analysed for reporting purposes as:		
Current portion	9	–
Non-current portion	442	–
	451	–

The leasehold land is amortised on a straight-line basis over the remaining term of the lease.

9. INVENTORIES

	Group	
	2007 US$'000	2006 US$'000
Raw materials	7,391	7,551
Work-in progress	1,787	1,712
Finished goods	4,439	4,714
	13,617	13,977

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

10. GOODWILL

	Group	
	2007 US$'000	2006 US$'000
Cost		
Balance at beginning of year	3,569	–
Arising on acquisition of a subsidiary [Note 32(a)]	–	3,569
Adjustment on acquisition of remaining equity interests of a subsidiary [Note 32(b)]	(2,053)	–
Balance at end of year	1,516	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 the subsidiary 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.

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Year ended 31 December 2007

10. GOODWILL (Cont'd)

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 that cash flow forecasts are made. 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 experience 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 2.5% for the second year to third year and growth rate of 1% for the fourth and fifth year.

The rate used to discount the forecast cash flows to net present value is 9% (2006: 9.6%).

11. INVESTMENTS

	Group		Company	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Available-for-sale investments				
Quoted equity shares, at fair value	252	230	–	–
Unquoted debt securities, at fair value	2,297	770	1,511	–
	2,549	1,000	1,511	–
Held-to-maturity investment	988	979	–	–
Total	3,537	1,979	1,511	–

(a) Investments in quoted equity securities 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.

(b) Included in the unquoted debt securities are:

(i) US$786,000 (2006: US$770,000) of debt securities with effective interest rates of 3% (2006: 3%) per annum and will mature in October 2035;

(ii) US$1,511,000 (2006: Nil) of investment in a convertible loan to a privately held company ("investee company"). The salient features of the convertible loan are as follows:

- Option granted to the Group to convert the loan to ordinary shares of the investee company between 30 June 2008 and 30 September 2008;

- If not converted, the loan will mature on 31 December 2008 and the investee company has to pay the Group the principal amount plus interest of 6% per annum on 31 December 2008.

In the opinion of the directors and management of the Group, the conversion option has insignificant fair value at the inception date and according, the Group has not recorded any fair value of this conversion option.

11. INVESTMENTS (Cont'd)

(c) As at 31 December 2007, the held to maturity investment comprises investment of funds in a leveraged lease arrangement entered into by the subsidiary Tomoike Industrial Co., Limited ("TM Japan").

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.

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

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Hong Kong dollars	1,511	–	1,511	–

12. OTHER ASSETS

	Group	
	2007	2006
	US$'000	US$'000
Employees' and directors' insurance	129	892
Rental deposit	534	388
Golf club membership	12	15
	675	1,295

Employees' and directors' insurance of represents the surrender values of two insurance policies taken by TM Japan: one for employees with three or more years of service; and the other for the directors. Under both policies, TM Japan 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.

13. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured and earns interest at 3% (2006: 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 value of amount due from the subsidiary approximates the carrying amount.

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14. 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:	358	10,201	2,818	3,404	770	1,398	18,949
At 1 January 2006	93	1,036	463	440	136	4,236	6,404
Additions	–	(348)	(15)	–	(48)	–	(411)
Acquisition through business combination	1,889	1,166	799	1,214	45	–	5,113
Transfer	–	151	–	2,128	–	(2,279)	–
Currency translation 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
Additions	–	1,145	677	367	61	4,431	6,681
Disposal	–	(508)	(510)	(136)	(104)	–	(1,258)
Transfer	8,056	84	72	48	–	(8,260)	–
Transfer to prepaid lease payments (Note 8)	–	–	–	–	–	(451)	(451)
Currency translation differences	96	778	98	578	52	445	2,047
At 31 December 2007	10,432	14,007	4,488	7,707	931	–	37,565
Accumulated depreciation:							
At 1 January 2006	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
Currency translation differences	–	74	35	19	6	–	134
At 31 December 2006	170	3,989	2,168	2,601	397	–	9,325
Depreciation	224	1,534	656	1,055	163	–	3,632
Eliminated on disposals	–	(60)	(455)	(69)	(78)	–	(662)
Currency translation differences	7	306	73	208	23	–	617
At 31 December 2007	401	5,769	2,442	3,795	505	–	12,912
Carrying amount:							
At 31 December 2006	2,110	8,519	1,983	4,249	525	3,835	21,221
At 31 December 2007	10,031	8,238	2,046	3,912	426	–	24,653

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The carrying amount of the Group's plant and machinery and furniture, fixtures and equipment includes an amount of US$1,433,000 (2006: US$1,021,000) and US$151,000 (2006: US$274,000) 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$2,230,000 (2006: US$2,098,000) to secure banking facilities granted to the Group [Note 16 (b)].

Construction-in-progress comprises machinery under installation and buildings under construction.

15. SUBSIDIARIES

	Company	
	2007 US$'000	2006 US$'000
Unquoted equity shares, at cost	9,642	9,642
Recognition of share-based payment	755	542
	10,397	10,184

Deemed additional investment of US$213,000 (2006: US$444,000) in subsidiaries relates to options to subsribe for shares of the Company granted to employees of subsidiaries under the CDW Holding Share Option Scheme for which the benefits to employees have not been charged by the Company to the subsidiaries.

Details of the Company's subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2007 %	2006 %	
Held by the Company				
Tomoike Industrial (Hong Kong) Holding Limited [(1)(2)] ("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

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15. SUBSIDIARIES (Cont'd)

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2007 %	2006 %	
Held by TM Hong Kong				
Crystal Display (Hong Kong) Holding Limited (1) ("CD Hong Kong BVI")	British Virgin Islands	–	100	Liquidated in 2007
Tomoike Precision Machinery (Shanghai) Holding Limited(1) ("TM Shanghai BVI")	British Virgin Islands	–	100	Liquidated in 2007
Tomoike Electronics (Shanghai) Holding Limited (1) ("TM Pudong BVI")	British Virgin Islands	–	100	Liquidated in 2007
Tomoike Precision Machinery (Dongguan) Holding Limited (1) ("TM Dongguan BVI")	British Virgin Islands	–	100	Liquidated in 2007
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 (4) ("TM Japan")	Japan	100	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

15. SUBSIDIARIES (Cont'd)

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2007 %	2006 %	
Crystal Display (Shanghai) Holding Limited (1)(2) ("CD Shanghai BVI")	British Virgin Islands	100	100	Investment holding
Wah Hang Precision Machinery (H.K.) Limited (2)(5)	Hong Kong	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, for the purpose of incorporation in the consolidated financial statements of the Group.

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

(4) Audited by Deloitte Touche Tohmatsu, Japan.

(5) Incorporated during the financial year.

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16. BANK AND OTHER BORROWINGS

	Group	
	2007	2006
	US$'000	US$'000
Bank loans – unsecured	13,547	8,592
Bank loans – secured	4,794	2,413
Corporate bond – unsecured	1,929	2,352
Total	20,270	13,357
The bank borrowings are repayable as follows:		
Within one year	15,794	10,774
In the second year	1,377	231
In the third year	1,170	–
	18,341	11,005
The corporate bonds are repayable as follows:		
Within one year	526	504
In the second year	526	504
In the third year	877	1,344
	1,929	2,352
Total bank and other borrowings	20,270	13,357
Less: Amount due for settlement within 12 months (shown under current liabilities)	(16,320)	(11,278)
Amount due for settlement after 12 months (shown under non-current liabilities)	3,950	2,079

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

a) A bank loan of approximately US$4,552,000 (2006: US$1,930,000), denominated in Hong Kong dollars is secured by fixed deposits of the Group amounting to US$1,622,000 (2006: US$1,016,000) (Note 6) ; bearing interest at 5.37% (2006: 5.42%) .

b) Bank loans denominated in Japanese Yen amounting to US$242,000 (2006: US$483,000) were secured by leasehold land and building of the Group amounting to US$2,230,000 (2006: US$2,098,000) (Note 14); bearing interest at 2.05% (2006: 1.87%).

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

		Annual interest	Repayable terms
(1)	JPY 80,000,000	0.68%	By semi-annual instalments until December 2009
(2)	JPY 40,000,000	0.71%	By semi-annual instalments until December 2009
(3)	JPY 100,000,000	1.14%	Lump sum payment in December 2009

16. BANK AND OTHER BORROWINGS (Cont'd)

All the other bank borrowings are unsecured and 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 3.88% (2006: 4.65%) per annum.

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

d) The Group's bank and other borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2007 US$'000	2006 US$'000
United States dollars	10,162	4,400
Japanese yen	2,280	–

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Trade creditors:				
Outside parties	24,958	29,906	–	–
Related party (Note 5)	–	111	–	–
Total trade creditors	24,958	30,017	–	–
Accruals	2,080	2,052	50	–
Other payables	1,605	2,094	132	164
	28,643	34,163	182	164

The average credit period on purchases of goods is 60 days (2006: 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	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
United States dollars	5,863	5,035	–	–
Japanese yen	1,856	2,276	–	–
Hong Kong dollars	–	–	70	50

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18. FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Amounts payable under finance leases:				
Within one year	426	417	397	388
In the second to fifth year inclusive	337	502	324	465
	763	919	721	853
Less: Future finance charges	(42)	(66)	N/A	N/A
Present value of lease obligations	721	853	721	853
Less: Amount due for settlement within 12 months (shown under current liabilities)			(397)	(388)
Amount due for settlement after 12 months			324	465

The effective borrowing rates ranged from 1.50% to 6.55% (2006: 1.50% to 6.55%) 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 14).

19. RETIREMENT BENEFIT OBLIGATIONS

TM Japan maintains a defined benefit plan for its directors. The expense for the year amounted to approximately US$94,000 (2006: US$40,000) (Note 28).

The retirement benefit 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 shareholder 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:

	Accelerated tax depreciation US$'000	Basis difference of the held-to-maturity investment US$'000	Employee's and directors' insurance US$'000	Retirement benefit obligations US$'000	Others US$'000	Total US$'000
Group						
At 1 January 2006	(132)	–	–	–	–	(132)
Currency translation difference	8	26	7	(9)	(15)	17
Acquisition of subsidiary	(198)	(667)	(184)	209	267	(573)
Credit/(Charge) to equity for the year	(10)	(60)	(12)	16	66	–
Credit/(Charge) to income statement for the year (Note 29)	24	–	–	–	(118)	(94)
At 31 December 2006	(308)	(701)	(189)	216	200	(782)
Currency translation difference	(7)	(5)	(3)	11	4	–
Credit/(Charge) to equity for the year	(17)	(66)	147	27	(91)	–
Credit/(Charge) to income statement for the year (Note 29)	174	–	–	–	(18)	156
At 31 December 2007	(158)	(772)	(45)	254	95	(626)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	Group		Company	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Deferred tax liabilities	(626)	(1,253)	–	–
Deferred tax assets	–	471	–	–
	(626)	(782)	–	–

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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.

Information on share-based payment arrangements are as follows:

Option series	Number ('000)	Grant date	Expiry date	Exercise price	Fair value at grant date
Issued on 12 September 2005*	18,056	12 September 2005	12 September 2010	S$0.305	US$0.03
Issued on 9 March 2007	20,496	9 March 2007	9 March 2012	S$0.130	US$0.01

* In accordance with the terms of the share-based arrangement, the options which were granted on 12 September 2005 vested on 12 September 2006. On 27 February 2007, the committee (the "Committee") duly authorized and appointed by the Company's board of directors to administer the CDW Holding Share Option Scheme (the "Scheme") proposed that the unexercised share options shall lapse and be cancelled on the ground that the objectives of the Scheme have not been met. The resolution was subsequently accepted by all the share option holders and all unexercised share options granted were cancelled prior to 31 March 2007.

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 2007	Granted	Exercised	Cancelled/ Lapsed*	Balance at 31 December 2007	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
9 March 2007	–	20,496,000	–	–	20,496,000	S$0.130	10 March 2008 to 9 March 2012
	18,056,000	20,496,000	–	(18,056,000)	20,496,000		

21. SHARE-BASED PAYMENTS (Cont'd)

The number of share options exercisable at the end of the year amounted to 20,496,000.

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 4.2 years (2006 : 3.7 years).

The fair value for share options granted on 9 March 2007 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)	12.5 cents
Weighted average exercise price (Singapore cents)	13.0 cents
Expected volatility	47.85%
Expected life	3 years
Risk free rate	2.802%
Expected dividend yield	7.63%

Expected volatility was determined by calculating the historical volatility of the Company's share price from 1 July 2006 to 9 March 2007. 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$213,000 (2006: US$444,000) related to equity-settled share-based payment during the year.

22. SHARE CAPITAL

	Group and Company			
	2007	2006	2007	2006
	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 paid up:				
At beginning of the year	488,000,000	488,000,000	9,760	9,760
Issued for acquisition of remaining equity interest in a subsidiary [Note 32(b)]	18,405,221	–	368	–
At the end of the year	506,405,221	488,000,000	10,128	9,760

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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 the 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.

Other Reserves

Other Reserves represents staff welfare fund appropriate from retained earnings on a discretionary percentage of the profit after tax for the year.

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.

The above divisions are the basis for the Group's primary segment information.

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.

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25. SEGMENT INFORMATION (Cont'd)

	Parts trading US$'000	LCD backlight units US$'000	Precision accessories US$'000	LCD frames US$'000	Eliminations US$'000	Total US$'000
31 December 2007						
REVENUE						
External sales	37,512	92,705	25,491	11,628		167,336
Inter-segment sales	–	1,209	1,572	736	(3,517)	–
Total revenue	37,512	93,914	27,063	12,364	(3,517)	167,336
RESULTS						
Segment result	527	1,879	3,342	(1,422)		4,326
Unallocated corporate expense						(2,857)
Operating profit						1,469
Interest expense						(791)
Interest income						307
Profit before income tax						985
Income tax						(928)
Profit after income tax						57
ASSETS						
Segment assets	27,443	35,654	15,626	20,396	(1,119)	98,000
Unallocated assets						6,362
Consolidated total assets						104,362
LIABILITIES						
Segment liabilities	11,881	9,950	4,913	2,835	(1,119)	28,460
Bank borrowings and finance leases						20,991
Unallocated liabilities						1,976
Consolidated total liabilities						51,427
OTHER INFORMATION						
Capital expenditure	476	588	219	5,398	–	6,681
Depreciation of property, plant and equipment	283	1,225	807	1,317	–	3,632

25. SEGMENT INFORMATION (Cont'd)

	Parts trading US$'000	LCD backlight units US$'000	Precision accessories US$'000	LCD frames US$'000	Eliminations US$'000	Total US$'000
31 December 2006						
REVENUE						
External sales	29,990	93,115	19,539	13,942	–	156,586
Inter-segment sales *	–	2,076	1,061	724	(3,861)	–
Total revenue	29,990	95,191	20,600	14,666	(3,861)	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	25,752	42,939	8,987	18,694	(784)	95,588
Unallocated assets						7,969
Consolidated total assets						103,557
LIABILITIES						
Segment liabilities	20,354	8,042	3,997	2,388	(784)	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

* The figures have been reclassified in order to conform to the current year's presentation. In prior periods, the sales of raw materials for production from one group company to another were classified as inter-segment sales from parts trading segment to other manufacturing segments as the selling entity was designated as a "parts trading" entity. These inter-segment sales and their corresponding receivables and payables were then recorded under respective segments, and were eliminated under the "Eliminations" column. In 2007, parts bought for LCD backlight units by the "parts trading" entity was designated as belonging to the LCD segment and the subsequent transfer to another entity engaged in manufacturing of LCD backlight was no longer treated as inter-segment sales. Hence there are no corresponding inter-segment eliminations of these sales and their receivables and payables shown under the "Eliminations" column.

Notes to Financial Statements

Year ended 31 December 2007

25. SEGMENT INFORMATION (Cont'd)

Geographical segment

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

	Group	
	2007 US$'000	2006 US$'000
Sales revenue by geographical market		
Hong Kong Special Administrative Region ("Hong Kong")	57,338	58,965
People's Republic of China ("PRC")	61,664	68,998
Japan	41,378	28,323
Others	6,956	300
Total	167,336	156,586

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	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Hong Kong	229	187	24,920	10,389
PRC	6,118	6,081	54,626	72,776
Japan	334	136	24,816	20,392
Total	6,681	6,404	104,362	103,557

26. OTHER OPERATING INCOME

	Group	
	2007 US$'000	2006 US$'000
Interest income from bank deposits	307	344
Sundry income	396	329
Gain on disposal of scrap material	354	289
	1,057	962

27. FINANCE COSTS

	Group	
	2007 US$'000	2006 US$'000
Interest expense to non-related companies	791	552

28. PROFIT BEFORE TAX

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

	Group	
	2007 US$'000	2006 US$'000
Depreciation of property, plant and equipment	3,632	2,833
Amortisation of prepaid lease payments	5	–
Directors' remuneration	1,055	941
Employee benefits expense		
Post employment benefits		
- Defined contribution plans	2,366	2,030
- Defined benefit plan	94	40
Share-based payments:		
- Equity-settled share-based payments	213	444
Other employee benefits expense	26,215	18,948
Total employee benefits expense	28,888	21,462
Audit fees:		
- Auditor of the Company	48	105
- Other auditors	390	240
Non-audit fees:		
- Other auditors	138	14
Write-off of doubtful debts	78	–
Allowance for inventories	530	201
Inventories recognised as expense	138,441	131,298
Loss on disposal of property, plant and equipment	110	10
Net foreign currency exchange loss	542	387

29. INCOME TAX EXPENSE

	Group	
	2007 US$'000	2006 US$'000
Current tax	1,084	633
Deferred tax	(156)	94
Overprovision of income tax in prior year	–	(45)
	928	682

Notes to Financial Statements

Year ended 31 December 2007

29. INCOME TAX EXPENSE (Cont'd)

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% (2006: 17.5%), the Japan tax rate of 41.7% (2006: 41.7%) and the tax rates in different locations in PRC ranging from 15% to 24% (2006: 15% to 24%) to profit before income tax, as a result of the following:

	Group	
	2007 US$'000	2006 US$'000
Profit before tax	985	6,097
Tax at the domestic rates applicable to profits in the country concerned	582	820
Tax effect of expenses not deductible for tax purpose	278	180
Effect of tax exemptions granted to PRC subsidiaries	(280)	(334)
Effect of tax unused tax losses and tax offsets not recognised as deferred tax assets	348	–
Overprovision of income tax in prior year	–	(45)
Others	–	61
Total income tax expense	928	682

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.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for PRC subsidiaries from 1 January 2008. PRC subsidiaries which are entitled to the tax reliefs, as mentioned above, will continue to enjoy the preferential tax treatment until expiration, on effect of the New Law.

30. DIVIDENDS

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 2007, a final dividend of 0.2 US cents per share (total dividend: US$976,000) in respect of 2006 and an interim dividend of 0.1 US cents per share (total dividend: US$488,000) in respect of 2007 were paid to shareholders.

In respect of the current financial year, the directors propose that a final dividend of 0.1 US cents per share be paid to shareholders on 3 June 2008. 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 2007, the total estimated dividend to be paid is approximately US$506,000.

Notes to Financial Statements

Year ended 31 December 2007

31. (LOSS) EARNINGS PER SHARE

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

	2007 US$'000	2006 US$'000
(Loss) Profit for the year attributable to equity holders of the Company	(277)	5,168

	2007 '000	2006 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	492,601	488,000
Effect of dilutive potential ordinary shares: Share options	854	–
Weighted average number of ordinary shares for the purposes of diluted earnings per ordinary share	493,455	488,000

In 2006, there was 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.

32. ACQUISITION OF A SUBSIDIARY

On 12 April 2006, the Group entered into a Share Purchase agreement for the acquisition of the entire issued capital of Tomoike Industrial Co., Ltd ("TM Japan"). The acquisition was carried out in two tranches as follows:

Subsidiary acquired	Principal activities	Date of acquisition	Proportion of shares acquired	Cost of acquisition	Fair value of net assets acquired	Goodwill (Negative goodwill) on acquisition
			%	USD '000	USD '000	USD '000
Tomoike Industrial Co., Limited ("TM Japan")	Trading and manufacturing of precision accessories for office equipment and other electrical	1 July 2006 (First tranche acquisition)	51.37%	6,958	3,389	3,569
	and electronics appliances, LCD backlight units and its related components	29 September 2007 (Second tranche acquisition)	48.63%	1,736	3,789	(2,053)
Total			100.00%	8,694	7,178	1,516

Notes to Financial Statements

Year ended 31 December 2007

32. ACQUISITION OF A SUBSIDIARY

a) First tranche acquisition of 51.37% of equity of TM Japan

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

	US$'000
Current assets	
Cash and bank balances	5,292
Trade and other receivables	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 (Note 10)	3,569
	6,958

The cost of acquisition of TM Japan was paid in cash.

Net cash outflow on acquisition

	Group 2006 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

Included in the net profit for 2006 was US$261,000 attributable to the additional business generated by TM Japan.

32. ACQUISITION OF A SUBSIDIARY (Cont'd)

Prior to its acquisition by the Group, the Japanese subsidiary did not prepare its financial statements using International Financial Reporting Standards. Accordingly, the directors were 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 of 2006 instead of 1 July 2006.

b) Second tranche acquisition of 48.63% of equity of TM Japan

The second tranche comprising the remaining 48.63% of TM Japan's equity was completed in 2007. Options relating to the determination of consideration and mode of payment for the second tranche are as follows:

At the option of the Group, the purchase consideration of the second tranche 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 ("FY 06") 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 ("FY 07"), multiplied by 48.63%.

The audited NPAT OF TM Japan for FY 06 and FY 07 was JPY 219,515,000 (approximately US$1,860,000) and JPY 154,703,000 (approximately US$1,311,000) respectively.

The purchase consideration for the second tranche was based an option (b) which amounted to US$3,188,000 (being US$1,311,000 multiplied by 5 times and multiplied by the remaining 48.63% of equity purchased in the second tranche).

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 S$0.26 per share or a combination of cash and new shares in such proportions as decided by the Group.

The Group elected to pay the second tranche purchase consideration of US$3,188,000 entirely through issue of 18,405,221 new shares at the pre-determined issue price of S$0.26 (US$0.17). The fair value of these 18 million new shares amounted to approximately US$1,736,000 [18,405,221 shares at S$0.14 (US$0.09) comprising share capital of US$368,000 and share premium of US$1,368,000] based on the closing market price of CDW's shares as at 28 September 2007. The minority interests of 48.63% in the equity of TM Japan at the date of acquisition amounting to US$3,789,000 was extinguished through this second tranche purchase. The excess of this minority interests of US$3,789,000 over the consideration of US$1,736,000 represents negative goodwill of US$2,053,000.

The negative goodwill has been offset against the positive goodwill arising from the year 2006 acquisition of the first tranche of shares in TM Japan as the contingent pricing for the second tranche purchase was structured for the purpose of adjusting the total cost of acquiring 100% of the equity of TM Japan. Consequently goodwill relating to the acquisition of TM Japan was adjusted to US$1,516,000 (Note 10).

Goodwill arose as the consideration paid for the acquisition of TM Japan effectively included took into account the benefit of expected synergies, revenue growth, future market development and the assembled workforce of TM Japan. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

32. ACQUISITION OF A SUBSIDIARY (Cont'd)

The Group also acquired the customer lists and customer relationships of TM Japan 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.

A supplemental agreement was made between Mr Yoshimi Kunikazu and Tomoike Industrial (H.K.) Limited on 1 June 2007 that no dividends shall be declared by TM Japan from 1 June 2007 to the date when the second tranche shares are delivered to the Group. A further supplemental agreement formalized the understanding that Mr Yoshimi Kunikazu had relinquished all title, benefits and rights, direct or indirect in the retained earnings or share of net assets of TM Japan as of 1 June 2007 save for the right to receive the consideration for the second tranche shares. Thus the group gained effective control of and benefits over 100% of the equity interest in TM Japan on 1 June 2007 and accounted for 100% share of the results of TM Japan from 1 June 2007.

The transfer of the second tranche shares by Mr Yoshimi Kunikazu to the Group was completed on 29 September 2007 after completion of audit of TM Japan (to determine the profit and purchase consideration) and completion of administrative matters.

Management determined that for the purpose of accounting for goodwill on the acquisition of the second tranche shares, had the fair value of the Company's shares issued as consideration for the purchase been based on the closing market price of Company's shares as of 1 June 2007 (S$0.145) instead of the closing market price of S$0.14 as of 28 September 2007, the total effect of the price difference and exchange rate difference would have neglible effect on the determination of goodwill on the acquisition.

33. COMMITMENTS

(i) Operating lease commitments

	Group	
	2007 US$'000	2006 US$'000
Minimum lease payments under operating leases recognised as an expense on the year	2,322	1,961

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

	Group	
	2007 US$'000	2006 US$'000
Future minimum lease payments payable:		
Within one year	1,838	2,008
In the second to fifth years inclusive	1,783	2,244
Total	3,621	4,252

33. COMMITMENTS (Cont'd)

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. Rates are subject to revisions during the term of the lease and the minimum lease payments payables disclosed above are based on current rates. 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	
	2007 US$'000	2006 US$'000
Commitments for acquisition of property, plant and equipment:		
Contracted for but not provided	215	3,484

34. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the financial year, the Group incorporated a subisidiary, Wah Hang Precision Machinery (Dongguan) Limited in Dongguan, People's Republic of China with a registered capital of US$1million. The principal activity of the subsidiary is to engage in precision accessories business. As at the date of this report, the subsidiary has no paid up capital.

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 38 to 89 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 2007, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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

25 March 2008

Statistics of Shareholdings

As at 18 March 2008

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	5	0.29	2,000	0.00
1,000 – 10,000	722	41.52	3,348,000	0.66
10,001 – 1,000,000	990	56.93	77,792,000	15.36
1,000,001 and above	22	1.26	425,263,221	83.98
Total	1,739	100.00	506,405,221	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Mikuni Co., Limited	239,680,000	47.33
2.	DBS Nominees Pte Ltd	60,206,000	11.89
3.	SBI E2–Capital Asia Securities Pte Ltd	40,475,221	7.99
4.	DBS Vickers Securities (S) Pte Ltd	28,368,000	5.60
5.	OCBC Securities Private Ltd	11,363,000	2.24
6.	UOB Kay Hian Pte Ltd	8,909,000	1.76
7.	Ang Yu Seng	4,604,000	0.91
8.	Ng Hwee Koon	4,593,000	0.91
9.	Kim Eng Securities Pte. Ltd.	4,111,000	0.81
10.	Ong Peng Koon Gilbert	3,541,000	0.70
11.	CIMB–GK Securities Pte. Ltd.	2,463,000	0.49
12.	Lim & Tan Securities Pte Ltd	2,396,000	0.47
13.	Wong Kam Hon	2,344,000	0.46
14.	Phillip Securities Pte Ltd	1,800,000	0.36
15.	Chian Shian Ann @ Chiam Yeow Ann	1,632,000	0.32
16.	Wong Kien Chorn	1,500,000	0.30
17.	Chua Kok Peng	1,415,000	0.28
18.	Armstrong Industrial Corporation Limited	1,400,000	0.28
19.	Lee Seak Sung @ Lee Seak Song	1,257,000	0.25
20.	Thian Toh Tin	1,170,000	0.23
	Total	423,227,221	83.58

Statistics of Shareholdings

As at 18 March 2008

Class of equity securities	:	Ordinary share
No. of equity securities	:	506,405,221
Voting rights	:	One vote per share

There are no treasury shares held in the issued share capital of the Company.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2008

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	239,680,000	47.33	–	–
Yoshimi Kunikazu [(1)]	18,405,221	3.63	239,680,000	47.33
The China Fund, Inc	60,000,000	11.85	–	–

Note:

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

PUBLIC FLOAT

As at 18 March 2008, 36.46% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST, 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 Carlton Hotel Singapore, Level 2, Connaught Room, 76 Bras Basah Road, Singapore 189558 on Monday, 28 April 2008 at 4.30 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 2007 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare final dividend of 0.1 US cent per ordinary share (equivalent to approximately 0.13745 Singapore cent) (tax not applicable) for the year ended 31 December 2007 [2006: Final dividend of 0.2 US cent per ordinary share (equivalent to approximately 0.3035 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 YOSHIMI Kunikazu	(Retiring under Bye-law 104)	**(Resolution 3)**
Mr KIYOTA Akihiro	(Retiring under Bye-law 104)	**(Resolution 4)**
Mr NG Wai Kee	(Retiring under Bye-law 104)	**(Resolution 5)**
Mr HO Yew Mun	[Retiring under Bye-law 107(B)]	**(Resolution 6)**

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

   Mr HO Yew Mun will, upon re-election as a Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committees and will be considered independent.

4. To appoint Mr DYMO Hua Cheung, Philip as a Director pursuant to Bye-Law 107(A). **(Resolution 7)**

5. To approve the payment of Directors' fees of S$220,000 for the year ending 31 December 2008 to be paid quarterly in arrears [2007: HK$720,000 (equivalent to approximately S$140,000)]. **(Resolution 8)**

6. To re-appoint Deloitte & Touche as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 9)**

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

Notice of 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:

8. 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 of the Company be empowered to

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

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury 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 total number of issued shares (excluding treasury 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 total number of issued shares (excluding treasury 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 exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

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

Notice of Annual General Meeting

(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

(4) 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 10)**

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

That the Directors of the Company be authorised and empowered to offer and grant options under the CDW 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 total number of issued shares (excluding treasury 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 11)**

By Order of the Board

Tan San-Ju
Secretary
Singapore, 4 April 2008

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 10 in item 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is 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 total number of issued shares (excluding treasury 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 of the Company.

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 total number of issued shares (excluding treasury 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 bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 11 in item 9 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in 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 total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a shareholder of the Company, 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 Meeting, he must be shown to have Shares entered against his name in the Depository Register, as certified by the CDP, at least forty-eight (48) hours before the time of the Meeting.

3. 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, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street #08-01 Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

Shanghai Dongguan Nara Dongguan

Tokyo Nara Suzhou Hong Kong

Chiba Mie

Shanghai Osaka Pudong Nara Hiroshima

Suzhou Shanghai Mie Nara Dongguan
Chiba Hiroshima
Nara Hong Kong Dongguan
Shanghai Osaka Pudong Nara Tokyo

CDW Holding Limited
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