CDW

FOCUS ON
INNER STRENGTH

2008 ANNUAL REPORT

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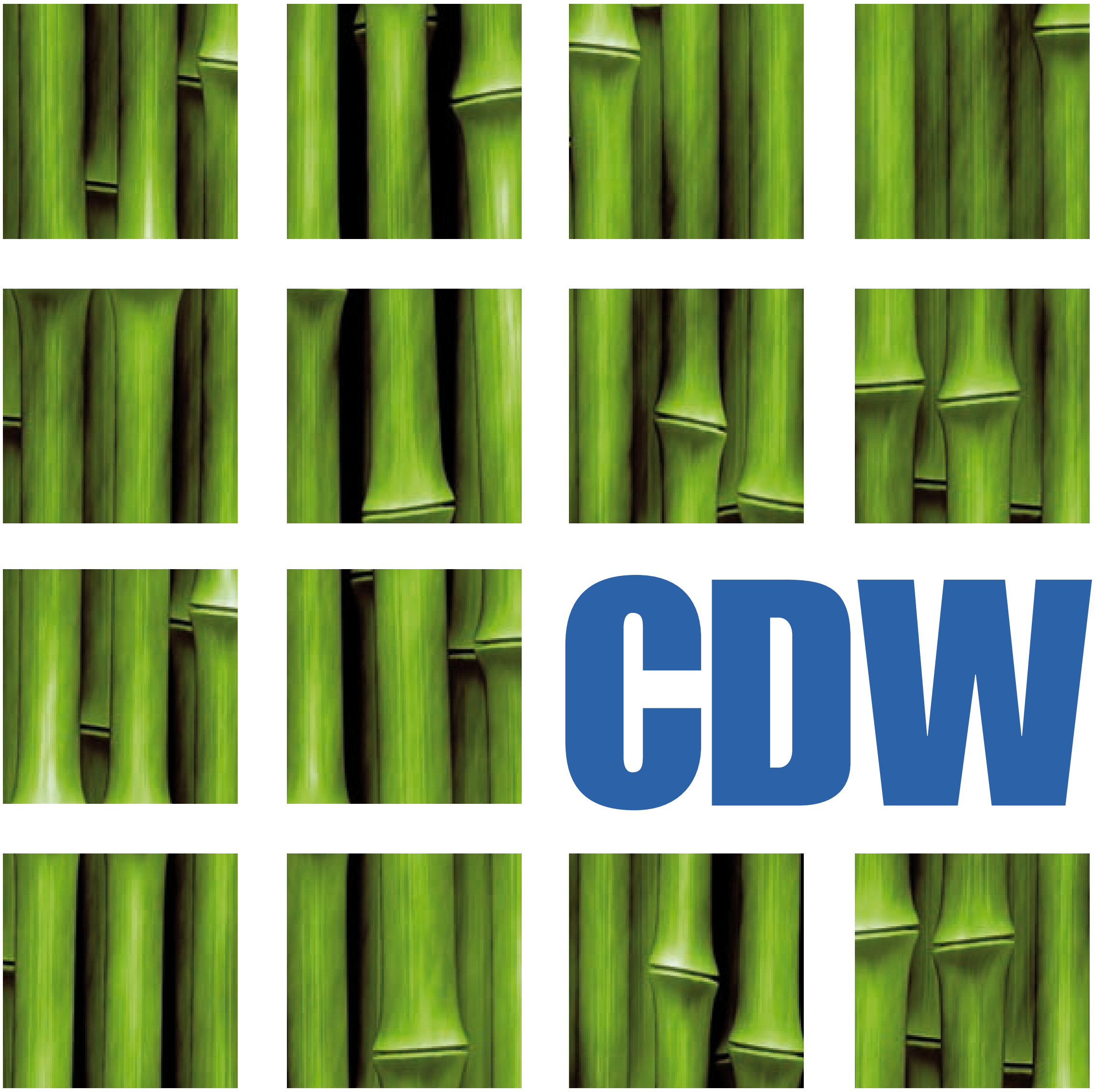


Just like bamboo that thrives in drought, CDW tackles each challenging year head to head. Like the sprouting bamboo we continue to build on our inner strengths and move forward with ingenuity. We are forging ahead with strength in resilience.

A Reliable Outsourcing Partner With Japanese Precision

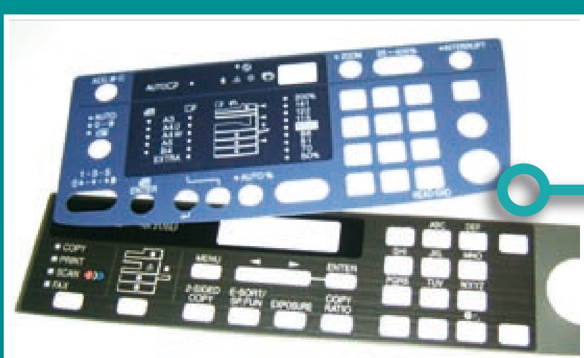
日本の技術力と信頼性を世界へ

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

Our Products	Applications

LCD BACKLIGHT UNITS

LCD FRAME PRODUCTS



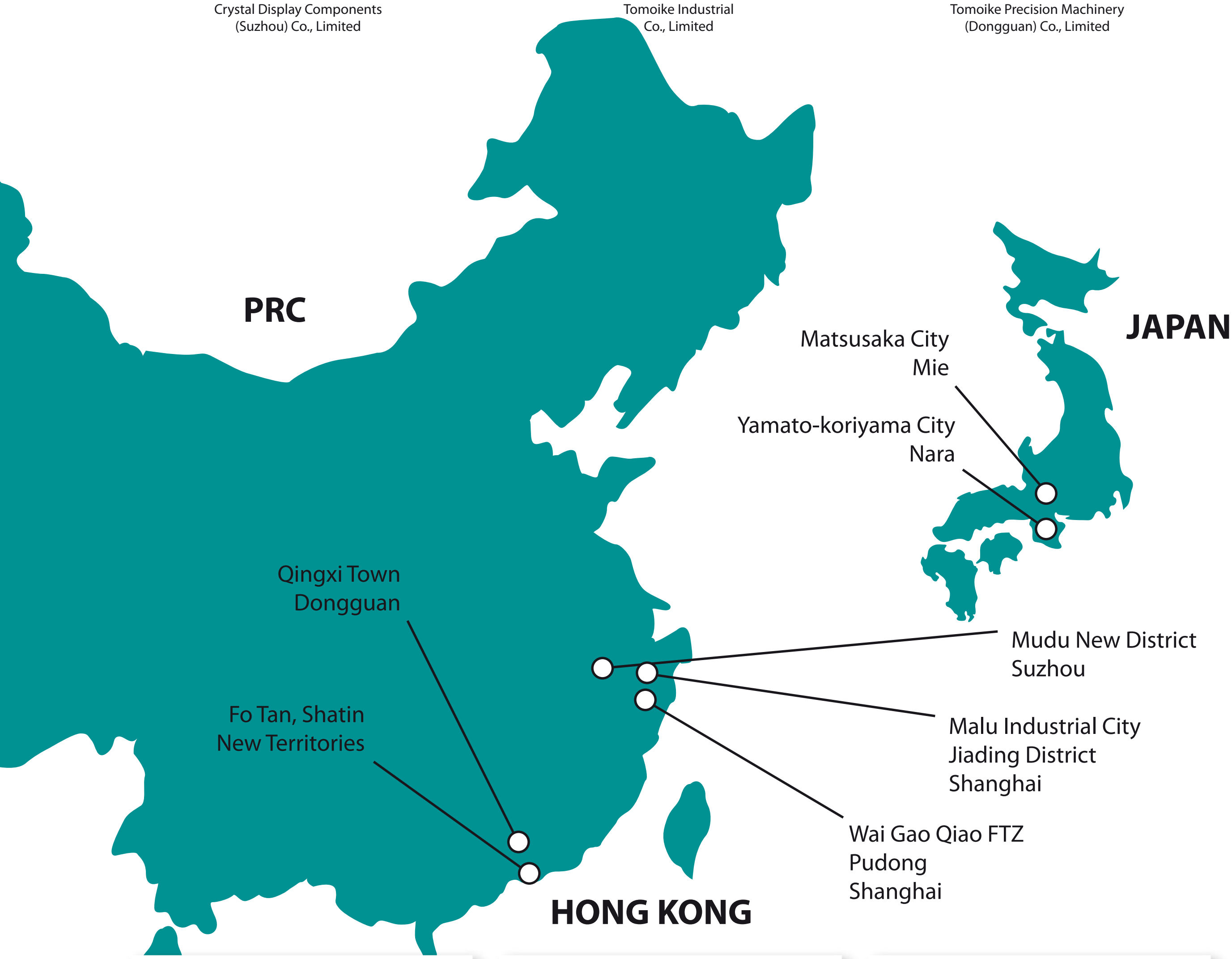
OTHER PRECISION ACCESSORIES

OUR PRODUCTION CENTRES

Crystal Display Components
(Suzhou) Co., Limited

Tomoike Industrial
Co., Limited

Tomoike Precision Machinery
(Dongguan) Co., Limited



Crystal Display Components
(Shanghai) Co., Limited

Tomoike Electronics
(Shanghai) Co., Limited

Tomoike Precision Machinery
(Shanghai) Co., Limited


CDW

BUILDING ON ADVANTAGE

Our name is synonymous with precision components for communication, entertainment, as well as consumer and IT equipments. We continue to build on the quality of our products and keep abreast with our consumers' constantly changing needs. We are at the forefront of technology.

Chairman and
Chief Executive Officer
YOSHIMI Kunikazu

DEAR SHAREHOLDERS,

FY08 was a year of consolidation and changes. The global economic climate as a result of a breakdown in the world's financial institutions resulted in difficult operating conditions, thus negatively affecting our business.

Although we are facing unprecedented challenges in the macro economic climate, we believe through the strengthening and reorganising of our business structure, we will nonetheless improve our profitability.

Our Group is manned by a team of experienced decision makers who have weathered past crises. Our combined knowledge strengthens our ability to steer the Group through these challenging times, from which we are confident we will emerge more resilient and stronger.

FINANCIAL SNAPSHOT

At CDW, FY08 presented us with quite some challenges in terms of market volatility, increased competition, lower profit margins, and currency fluctuations.

The Group booked a 7.6% decrease in revenue to US$154.6 million in FY08 from US$167.3 million in FY07. Net profits increased to US$121,000 in FY08 from US$57,000 in FY07, representing an increase of 112.3%.

For the LCD Backlight Units ("LCD BLU"), an overall decrease in revenue was resulted from our shift in focus from the handset market to the gameset market. In FY08, our product mix changed to encompass more gamesets than handsets, thus helping us to boost this segment's operating profit from US$1.9 million in FY07 to US$3.4 million in FY08.

The rising Japanese yen eroded our profits as our raw materials are bought in this currency, thus resulting in higher production costs. Furthermore, new labour laws have added to labour cost in our production units which are based in Shanghai, Suzhou and Dongguan, China.

Earnings per share was 0.02 US cents while Net Asset Value was 10.92 US cents per share. Given the challenging operating environment we are in and the cash available for distribution to shareholders, the Board thinks it prudent to offer a measured dividend of 0.4 US cents per ordinary share. This is, nonetheless, a four-fold increase over FY07.

We remain resilient with a balance sheet of US$55.2 million in net assets while net gearing is still in cash position translating into acceptable debt levels.

OPERATIONS HIGHLIGHTS

Operationally, we are proceeding with a repositioning of our LCD BLU business towards supplying to gameset manufacturers, and away from handphone manufacturers. This is due to the wider volatility of handphone partners' order flow, which makes it difficult for efficient production planning.

I would also like to highlight our growth in the LCD Frames area. Since July 2007, our new facility, with its state of the art production capabilities, has contributed to revenue growth of 44% to US$16.7 million, year on year, while we have made a slight profit of US$41,000, as compared to an operating loss of US$1.4 million in FY07.

During the year in review, Wah Hang Precision Machinery (Dongguan) Limited began full scale production for precision accessories to serve customers in Southern China in September 2008.

On the corporate governance front, we formed an in-house internal audit team in order to strengthen internal controls and improve corporate governance. The team has been reporting its activities to the audit committee on a quarterly basis from FY08.

Innovative management of costs and marketing will be key, while our healthy balance sheet should provide us sufficient ballast.

OUTLOOK AND COST MANAGEMENT MEASURES

The outlook for CDW is challenging and with that backdrop, cost management is critical. Towards that end, we aim to consolidate our facilities in order to rationalize and maximize utilization rates, and hence reduce operating costs.

For the LCD BLU segment and LCD Frames segment, we believe the production of entertainment gamesets would be affected in the year ahead. The management is of the view that this downside would be compensated by new products introduced later this year. A major Japanese customer has just released the new model of a popular gameset. Both models would keep these two segments busy. However, the management remains sceptical about order visibility and stability.

The sudden onslaught of the financial tsunami had also caused an increase in cancellations of orders and a fall in order volume across all of our business segments.

The orders on hand for the LCD BLU segment as at end of December 2008 were US$2.8 million. This is not enough to sustain operational costs. As such, the management will downsize the operations by reducing the work force and clerical staff. TM Japan has already shut down the two offices in Tokyo and will terminate the factory in Mie to reduce the operating cost by JPY200 million for FY09. Our China factories had also started to lay off some temporary workers.

Management is most concerned about the fluctuation of the Japanese yen, rising production costs in China and the stability and sustainability of orders.

As the Group purchases Japanese made raw materials in Japanese yen, the appreciation of yen would adversely affect the Group's profitability. The Group is using financial instruments such as currency forward contract or option contract to hedge this exposure, and to reduce this risk.

In view of the current financial crisis, the management expected there will be some slow down in the Precision Accessories segment as the users for office automation ("OA") equipment would delay their capital expenditure on OA equipment.

Even though our markets are going through a period of consolidation, we believe we will sustain further orders through our good track record established on the principles of *good customer relations*, *productivity*, *scalability*, and *high standard*.

CONCLUSION

The year ahead will require us to stay resilient to ride through the financial storm. Innovative management of costs and marketing will be key, while our healthy balance sheet should provide us sufficient ballast.

DIVIDENDS

The Board of Directors is proposing a final dividend of 0.4 US cents per ordinary share, in addition to an interim dividend of 0.4 US cents per ordinary share paid on 15 September 2008.

ACKNOWLEDGEMENTS

I would like to thank our partners for their support, my directors for their advice and management and staff for their wisdom and efforts. I would also like to thank our shareholders for their loyalty. I am certain we will emerge stronger from this challenge.

Yours sincerely,
Yoshimi Kunikazu

FINANCIAL AND OPERATIONS REVIEW

During the year in review, CDW saw a decrease in revenue by 7.6% to US$154.6 million, compared with US$167.3 million in the previous year, primarily due to fewer orders from customers in the LCD Backlight Units ("LCD BLU") in the first half of FY08.

We had a stronger second half with steadily increasing orders for new models from our LCD BLU and precision accessories customers. This resulted in a strong finish for the year, with fourth quarter revenues escalating by 16.2% to US$43.2 million from US$37.2 million in the corresponding period of FY07.

Group net profit for 4Q08 was US$0.9 million, a positive turnaround compared with the net loss of US$0.4 million over the corresponding period for FY07. For the full year, net profit stood at US$0.1 million, a slight improvement over the previous year.

Administrative expenses in the consolidated profit and loss statement for FY08 include a foreign currency exchange loss of US$2.0 million, primarily from the unfavorable fluctuating Japanese yen.

LCD BACKLIGHT UNITS ("LCD BLU")

Our largest business segment, the LCD BLU segment saw a marginal 7% decrease from US$92.7 million in FY07 to US$86.2 million in FY08.

During the first half of 2008, segmental revenue here was affected by the changing procurement strategy of one of the Group's key customers, which had commenced from the second half of 2007.

To accommodate the business requirements of our customer, we made a decision to move our production facilities of handheld devices from Dongguan to Shanghai. However production efficiency issues have resulted in a move back to original premises. This exercise incurred higher production costs and exerted downward pressure on profitability which continued into 1Q08. Further exacerbated by increased competition, we thus decided to shift our production focus to BLUs for gamesets in the second half of the year.

During the year in review, our production increased to 31.4 million BLU units manufactured for gamesets and other handhelds but dropped to 15.9 million units for handsets. In FY07, the Group manufactured 25.0 million units and 31.7 million units respectively.

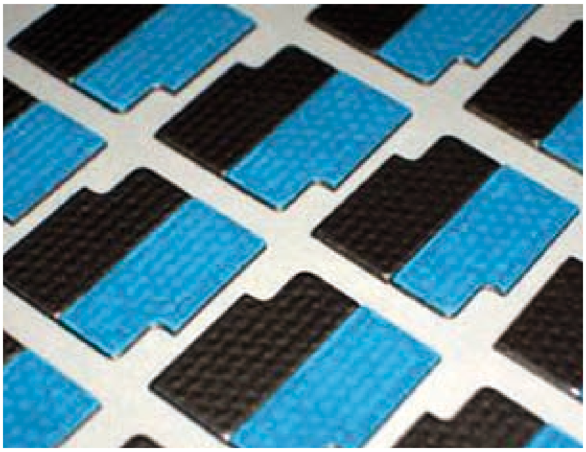
The order book as at end of December 2008 was very weak at US$2.8 million as compared with US$13.2 million at end of September 2008.

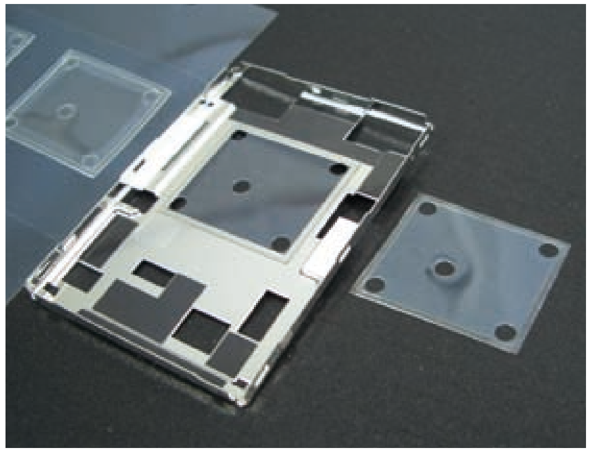
Capacity utilisation has been weak as well. Our Shanghai plant operated at 65% capacity utilisation in FY08, while the Dongguan plant was operating at 78% capacity with its primary focus on gamebox orders.

With a competitive operating climate, cost cutting measures by customers prevail. To foster the position as the partner-supplier of choice of our customers, despite our efforts have yet to be rewarded, we will continue to pursue the strategy to source for our customers alternative materials of better efficiency which at the same time can secure the Group with a higher profit margin.

Under what is frankly a tough business environment, our focus on high-end products ensures the competitive strength of the Group.

The operating profit for this division increased to US$3.4 million in FY08 from US$1.9 million in FY07.





LCD FRAMES

The LCD Frames segment was our most robust segment in FY08. Revenue grew 44% from US$11.6 million to US$16.7 million, year on year. With the introduction of new facilities in July 2007, this segment has registered increasing orders, higher utilization rates and a turnaround in the bottom line, from an operating loss of US$1.4 million in FY07 to a marginal operating profit of US$41,000 during FY08.

PRECISION ACCESSORIES

Sales for this segment held about even, with a slight decrease of US$1.7 million to US$23.7 million in FY08, from US$25.5 million in the previous year. Operating profits decreased to US$1.6 million in FY08, from US$3.3 million in the previous year. Competitive pricing drove gross margins down, while the start up costs of our new Dongguan factory contributed to the lower operating profit. Production at this new plant commenced in September 2008 and orders for additional new models grew in 4Q08.

TRADING

Fewer orders from Japan resulted in a 25.6% revenue drop in our Trading segment, from US$37.5 million in FY07 to US$27.9 million in FY08. Operating profit meanwhile fell year on year by US$0.2 million to US$0.3 million during the year in review.

The growth of Other Income of 18.5% year on year to US$1.3 million in FY08 was mainly contributed by sales from scrap material.

Increased salary expenses and headcount contributed to an increase in Administration expenses by 17.3% in FY08 to US$27.4 million. Meanwhile, we reduced finance costs by 37.0% to US$0.5 million in FY08 by securing lower interest rates and reducing bank and other borrowings during the year.

However, income tax expenses rose by 44.6% to US$1.3 million in FY08, mainly attributable to higher tax rates in the PRC and higher taxes in Japan.

Income tax expenses increased as our TM Japan business unit was subject to a 41.7% tax rate. Taxable profits from this Japan business operation amounted to about 22% of all Group taxable profit. In addition, China has changed its tax rate to 25% and imposed withholding tax on dividends, which also contributed to an overall increase in income tax expenses.

BALANCE SHEET

As at 31 December 2008, the total assets and liabilities stood at US$100.9 million and US$45.7 million respectively.

Assets

Non-current assets dropped by US$0.5 million to US$30.3 million after accounting for the additions to property, plant and equipment, mainly for the new Dongguan factory under the Precision Accessories segment and the reclassification of certain available for sale investments from non-current assets to current assets.

Current assets declined by US$3.0 million to US$70.5 million as at 31 December 2008 and mainly consisted of cash and bank balances, receivables and inventories. Current assets decreased because of lower receivables and inventories balances. The drop in inventories was due to the reduction in the inventory lead time. The inventory turnover days for FY08 and FY07 were 32 days and 36 days respectively. The decrease in inventories is in line with the Group's strategy of reducing the inventory holding time.






In terms of trade receivables, the debtor turnover days remained stable for FY08 and FY07 which were 59 days and 60 days respectively. There were no changes in the credit terms to customers.

Liabilities

Current liabilities fell by US$3.4 million to US$42.5 million, and consisted of bank and other borrowings, payables and accruals. Non-current liabilities declined by US$2.3 million to US$3.2 million. Decreases in both the current and non-current liabilities were mainly attributed to partial repayment of bank loans during the year. As such, bank and other borrowings decreased by US$7.9 million to US$12.4 million.

For trade payables, the creditor turnover days remained stable for FY08 and FY07 which were 76 days and 66 days respectively. The increase in turnover days was due to more purchases undertaken at the end of the year to restore the inventory to a reasonable level. There was no change in the credit terms from our suppliers.

Equity

In FY08, the Group purchased 900,000 shares at an average cost of 5 SG cents per ordinary share (equivalent to 3.5 US cents per ordinary share) under the Share Buyback Mandate. These purchased shares were treated as cancelled and the issued capital was diminished by the nominal value of these cancelled shares accordingly.

Cash Position

Cash and bank balances increased slightly by US$0.4 million to US$29.9 million. During the year in review, the Group issued a dividend payment of US$2.5 million and reduced bank loans by US$7.9 million, being the net repayment of bank loans amounting to US$9.3 million net of exchange adjustment of US$1.6 million. The cash balance recovered as a result of a reduced inventory cycle and the appreciation of the Japanese yen in 4Q08.

Net Asset Value Per Share

Net Asset Value per share increased 4.5% to 10.92 US cents as at 31 December 2008 from 10.45 US cents on 31 December 2007.

CASH FLOW

The Group recorded net cash from operating activities of US$ 10.5 million in FY08, as compared with US$3.5 million in the previous year.

During the year in review, the Group spent US$1.7 million for investing activities as compared with US$6.2 million in the previous year. The Group purchased fixed assets worth US$3.0 million of which US$0.6 million was financed by finance lease.

The Group used net cash of US$12.1 million in financing activities in FY08 as compared to net cash generated from financing activities amounting to US$4.5 million in the previous year. Included in the net cash used for financing activities is payment of dividends amounting to US$2.5 million and partial net repayment of bank loans amounting to US$9.3 million.

Key Financial Data

In US$mn	FY2008	FY2007	FY2006
Total Assets	100.9	104.3	103.6
Total Liabilites	45.7	51.4	50.5
Current Assets	70.5	73.5	75.0
Current Liabilities	42.4	45.9	46.1
Shareholders' Equity	55.2	52.9	49.6
Revenue	154.6	167.3	156.6
Profit before tax	1.5	1.0	6.1
Profit after tax	0.1	0.1	5.4
EPS (US cents)	0.02	(0.06)	1.1

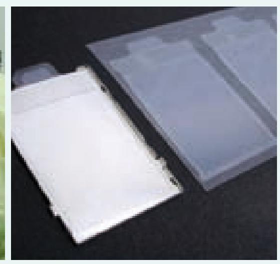
Key Operational Information / Data

LCD BLU 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)

	FY2008	FY2007	FY2006
Revenue (US$mn)	86.2	92.7	93.1
EBIT (US$mn)	3.4	1.9	5.2
Gross floor area (sqm)	26,594	26,594	26,594
Clean room area (sqm)	7,229	7,159	7,159
Number of workers	1,233	2,391	2,828
Production capacity (units/mth)	6,000,000	6,000,000	6,000,000

(Figures are based on December of each year)

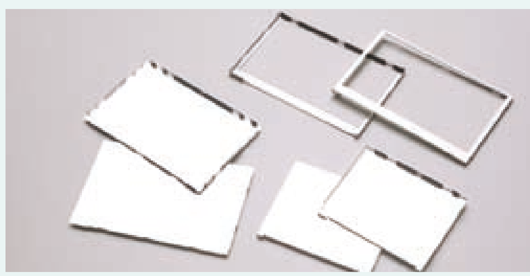


LCD Frames Operating subsidaries:

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

	FY2008	*FY2007	FY2006
Revenue (US$mn)	16.7	11.6	14.0
EBIT (US$mn)	0.1	(1.4)	0.5
Gross floor area (sqm)	17,209	10,468	8,160
Clean room area (sqm)	1,980	1,950	-
Number of workers	531	644	689

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



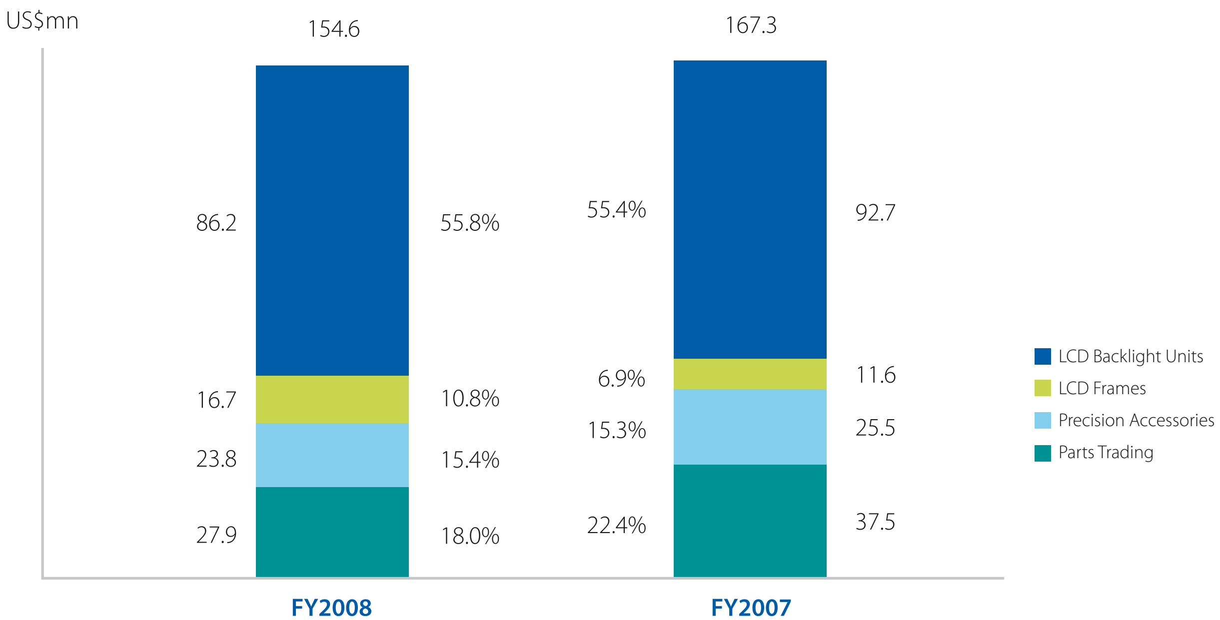
Precision Accessories Operating subsidaries:

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)
Wah Hang Precision Machinery (Dongguan) Limited (WH Dongguan)

	**FY2008	FY2007	*FY2006
Revenue (US$mn)	23.8	25.5	19.5
EBIT (US$mn)	1.6	3.3	2.9
Gross floor area (sqm)	13,739	11,350	10,810
Clean room area (sqm)	1,848	1,848	1,848
Number of workers	792	1,182	1,053

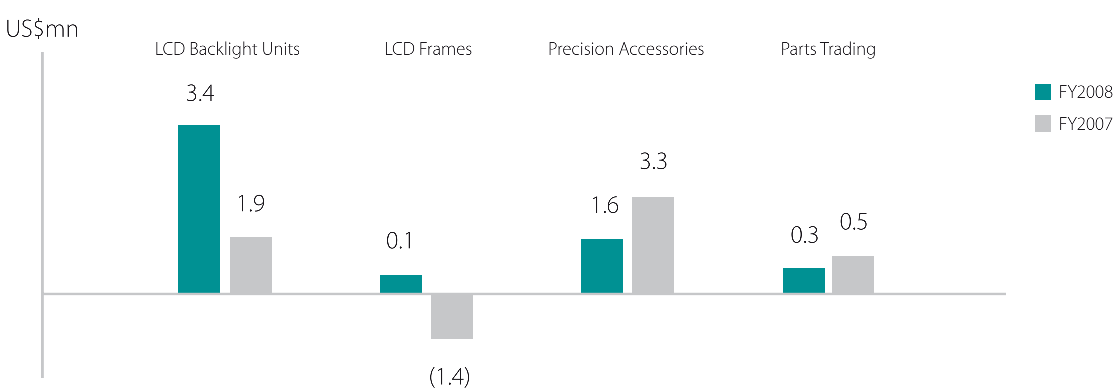
* TM Japan's results have been consolidated since July 2006
** WH Dongguan started production in September 2008
(Figures are based on December of each year)

SEGMENTAL ANALYSIS



Revenue Growth

US$mn	FY2008	FY2007	%Change
LCD Backlight Units	86.2	92.7	(7.0)
LCD Frames	16.7	11.6	44.0
Precision Accessories	23.8	25.5	(6.7)
Parts Trading	27.9	37.5	(25.6)



EBIT Growth

US$mn	FY2008	FY2007	%Change
LCD Backlight Units	3.4	1.9	78.9
LCD Frames	0.1	(1.4)	NA
Precision Accessories	1.6	3.3	(51.5)
Parts Trading	0.3	0.5	(40.0)

CORPORATE MILESTONES

1991	Our founder, Mr Yoshimi, set up TM Hong Kong as a private trading company in Hong Kong engaged in the trading of precision accessories for the electrical and electronic appliances.
1993	The Group identified the trend of large Japanese corporations shifting their production facilities to the PRC. The Group started supplying cost efficient precision accessories sourced from Hong Kong and PRC manufacturers to them.
1996	The Group established TM Shanghai in Jiading, Shanghai, China to manufacture precision accessories for customers involved in the production of office equipment.
2001	CD Shanghai commenced production of LCD backlight units for colour mobile phones.
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 further expansion of business 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 expand capacity for Precision Accessories segment in Dongguan, China in December.
2008	WH Dongguan started production in September. This Dongguan factory aims to serve customers in Southern China.

ADAPTING WITH INGENUITY

We streamlined our production improving our efficiency and productivity.
We are looking forward to more orders for new LCD BLU models used for entertainment gameboxes and digital cameras in the coming year.

BOARD OF DIRECTORS





1st Row: YOSHIMI Kunikazu, URANO Koichi and KIYOTA Akihiro
2nd Row: LAI Shi Hong, Edward and DYMO Hua Cheung, Philip
3rd Row: HO Yew Mun
4th Row: NG Wai Kee, WONG Chak Weng and WONG Yik Chung, John



BOARD OF DIRECTORS

YOSHIMI Kunikazu

Chairman and Chief Executive Officer of our Group. Mr Yoshimi founded the Group in the early 90's. He has over 28 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. Mr Urano was appointed on 5 March 2007. As the Chief Operating Officer, he 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 14 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 23 years of experience in sales and marketing in a number of Japanese companies at the managerial level. He joined our Group in 2000 as the Deputy General Manager of TM Hong Kong and was promoted as 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 21 years of experience in finance, accounting and business management. 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.

DYMO Hua Cheung, Philip

Executive Director of our Group. Mr Dymo was appointed on 28 April 2008 and is responsible for the overall management of our Group's financial and management reporting, budgeting, treasury, internal control, audit functions and accounting and compliance processes. He joined our Group as Financial Controller and Head of Administration of our Group in 2003 and has extensive experience in the auditing and accounting profession. Mr 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.

HO Yew Mun

Independent Director of our Group. Mr Ho was appointed on 31 December 2007. He 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 and of China Fribretech Ltd. Mr Ho is a Fellow Member of the Association of Chartered Certified Accountants (ACCA, London) and the Institute of Certified Public Accountants (Singapore). He 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 a member of the ACCA, International Assembly and the current President of the Singapore Branch.

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 21 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 28 years of experience and, is presently, a consultant at Toh Tan LLP, 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 several fund management companies and a charitable organization, Lutheran Community Care Services Limited. He is a Director of the Singapore Anti-Tuberculosis Association, a large charity. He is currently an Independent Director of Old Chang Kee Ltd.

WONG Yik Chung, John

Independent Director of our Group. Mr Wong is a professional accountant by training with more than 20 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.

MANAGEMENT TEAM




1st Row: **CHAN Kam Wah and SAKAI Akira**
2nd Row: **LEE Haeng Jo and SHINJO Kunihiko**
3rd Row: **EGUCHI Yasunori**
4th Row: **OCHI Shinichi, TAN San-Ju and LEE Teck Leng, Robson**



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 and Southern China. 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.

SAKAI Akira

Head of Human Resources of our Group. Mr Sakai is responsible for overseeing the personnel management and the human resource affairs of the Group. He formerly served in various departments of a prominent Japanese multi-national corporation for 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 the Group in Hong Kong and the PRC. He was formerly engaged in our LCD backlight units division in Shanghai on a consultancy basis and contributed significantly to the success of this division. Mr Lee has more than 12 years of experience in sales and marketing in Japan. He also assumes corporate planning and initiatives in improving business performance of our Group.

SHINJO Kunihiko

Head of Finance (Group Coordinator) of our Group. Mr Shinjo is responsible for coordinating financial activities across the Group and establishing relationships with financial institutions overseas. He has more than 22 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 the Group. He graduated with a Bachelor of Engineering from the University of Saga. He has over 20 years of experience in project management in charge of numerous large-scale projects overseas. He has assumed senior management position for more than 13 years. Mr Eguchi was designated as the General Manager of TM Hong Kong in August 2007 and also aggressively involves in the strategic business improvement activities for the Group.

OCHI Shinichi

Head of Supply Chain Management of our Group. Mr Ochi is responsible for overseeing and promoting efficiency of our Group's supply chain management from ordering, procurement, inventory control to logistics. With management skill developed in his career with the Group for more than 14 years, he has made significant contribution to the Group's success, in particular to the cost management. He was the General Manager of TM Pudong and TM Shanghai. In January 2009, he was appointed as a Director of TM Japan.

COMPANY SECRETARY

TAN San-Ju

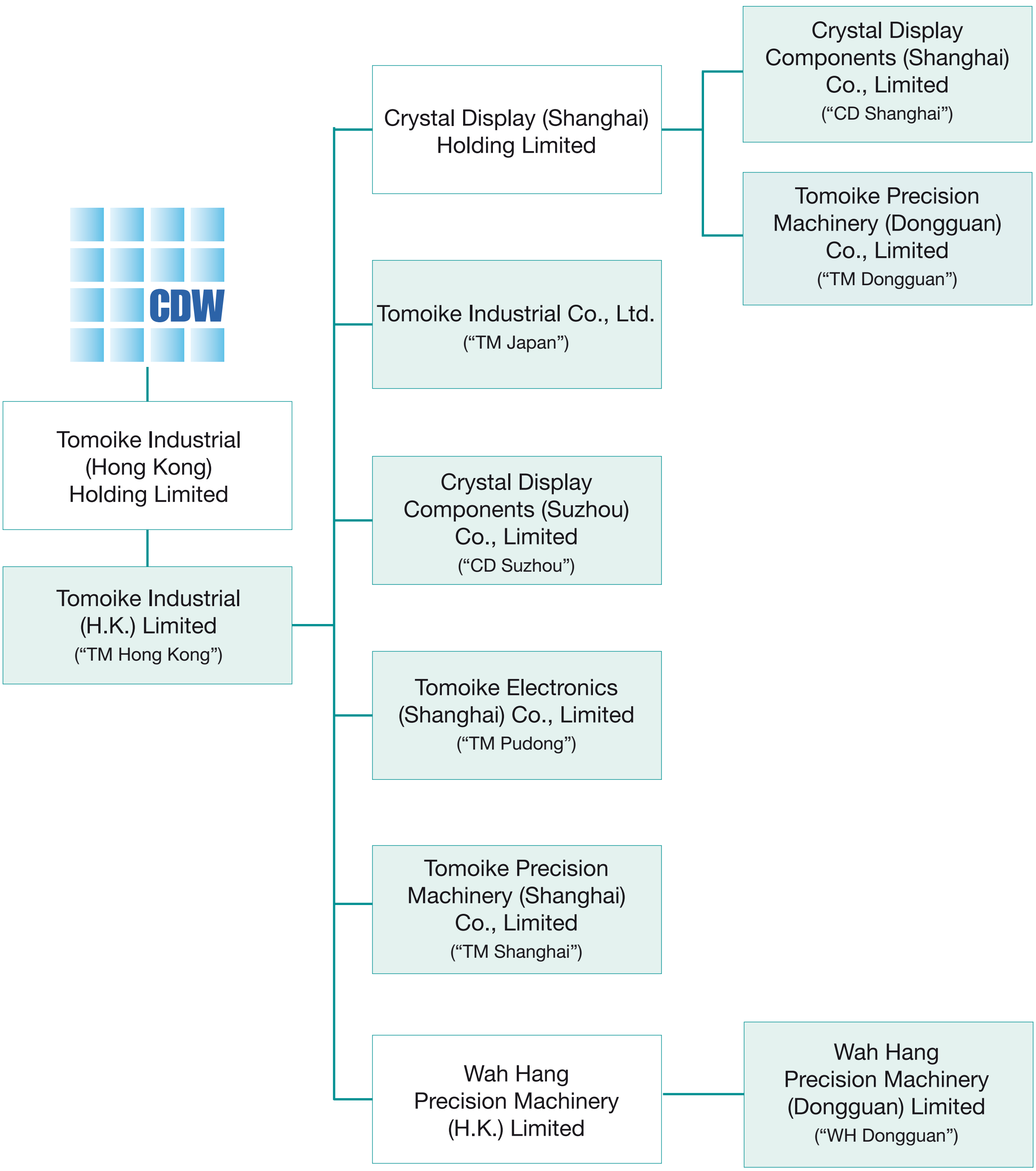
Ms. Tan is a Fellow of the Institute of Chartered Secretaries & Administrators (UK) and a member of the Singapore Association of the Institute of Chartered Secretaries & Administrators (SAICSA). Ms. Tan also holds a Practising Certificate from SAICSA. She has more than 25 years experience in corporate 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 STRUCTURE



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 2008 and as at the date of this report are as follows:

YOSHIMI Kunikazu	(Chairman and Chief Executive Officer)
URANO Koichi	(Executive Director)
KIYOTA Akihiro	(Executive Director)
LAI Shi Hong, Edward	(Executive Director)
DYMO Hua Cheung, Philip	(Executive Director) – Appointed on 28 April 2008
HO Yew Mun	(Independent Director)
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.

The number of meetings held by the Board and Board Committees and attendance for the financial year 2008 are as follows:

DIRECTORS	Board No. of Meetings	Board Attended	Audit Committee No. of Meetings	Audit Committee Attended	Nominating Committee No. of Meetings	Nominating Committee Attended	Remuneration Committee No. of Meetings	Remuneration Committee Attended
YOSHIMI Kunikazu	4	4	–	–	–	–	–	–
URANO Koichi	4	4	–	–	–	–	–	–
KIYOTA Akihiro	4	3	–	–	–	–	–	–
LAI Shi Hong, Edward	4	4	–	–	1	1	–	–
DYMO Hua Cheung, Philip *	3	3	–	–	–	–	–	–
HO Yew Mun **	4	4	3	3	–	–	–	–
NG Wai Kee	4	4	4	4	1	1	1	1
WONG Chak Weng	4	4	4	4	1	1	1	1
WONG Yik Chung, John	4	4	4	4	1	1	1	1

* DYMO Hua Cheung, Philip was appointed as a Director on 28 April 2008.
** HO Yew Mun was appointed as a member of the Audit, Nominating, and Remuneration Committees with effect from 28 February 2008. The Nominating Committee and Remuneration Committee meetings were held prior to his appointment.

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 five 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 page 17 of the 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.

Every Director shall retire from office once every three years and is subject to the provisions of the Company's Bye-laws whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every annual general meeting ("AGM").

The NC will assess the effectiveness of the Board as a whole and the respective contribution of each Director annually. In this regard, the NC will consider a number of factors based on 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 NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In doing so, the NC 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.

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 administers, attends and prepares minutes of Board meetings, assists 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.

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 key executive officers for services rendered during the year ended 31 December 2008 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	88%	12%	-	-
S$250,000 to S$499,999				
URANO Koichi	84%	8%	-	8%
KIYOTA Akihiro	91%	-	-	9%
Below S$250,000				
LAI Shi Hong, Edward	79%	-	-	21%
DYMO Hua Cheung, Philip *	86%	-	-	14%
HO Yew Mun	-	-	100%	-
NG Wai Kee	-	-	100%	-
WONG Chak Weng	-	-	100%	-
WONG Yik Chung, John	-	-	100%	-

REMUNERATION OF TOP FIVE KEY EXECUTIVES (NOT BEING DIRECTORS)

Remuneration band and Name of Key Executive Officers	Salary	Benefits-in-kind	Directors' Fees	Share options
S$250,000 to S$499,999				
LEE Haeng Jo	79%	13%	-	8%
EGUCHI Yasunori	69%	23%	-	8%
Below S$250,000				
CHAN Kam Wah	70%	18%	-	12%
DYMO Hua Cheung, Philip **	86%	-	-	14%
SAKAI Akira	76%	14%	-	10%
SHINJO Kunihiko	90%	-	-	10%

* The Director's remuneration of DYMO Hua Cheung, Philip, is for the period from May to December 2008 with his appointment as a Director on 28 April 2008.

** The remuneration is for the period from January to April 2008. DYMO Hua Cheung, Philip, was one of the Key Executive Officers before being appointed as a Director.

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 five years each with review every year, 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.

Among 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.

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 19,032,000 options, which were granted on 9 March 2007, were cancelled during the year on the grounds that the objectives of the scheme had not been met. A total number of 19,032,000 options have been granted on 11 June 2008 to and accepted under the Scheme by a number of key executives (including four 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 effectiveness 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, to review 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.

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. The AC is pleased to recommend their re-appointment. The amount of non-audit fees paid to auditors for the financial year ended 31 December 2008 can be referred to page 78 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.

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 set up an in-house internal auditor team 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.

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 its 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.

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 2008 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 page 50 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.

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
Mikuni Co., Limited		
Support services and marketing services to Tomoike Industrial Co., Ltd	110	–
Total	110	–

FINANCIAL CONTENTS

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 2008.

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)	
KIYOTA Akihiro	(Executive Director)	
LAI Shi Hong, Edward	(Executive Director)	
DYMO Hua Cheung, Philip	(Executive Director) -	Appointed on 28 April 2008
HO Yew Mun	(Independent Director)	
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 paragraphs 3 and 5 of this report.

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 2008**	**At beginning of year**	**At 31 December 2008**
The Company				
Ordinary shares of US$0.02 each				
YOSHIMI Kunikazu	18,405,221	18,405,221	239,680,000	239,680,000
URANO Koichi	–	710,000	–	–
KIYOTA Akihiro	200,000	200,000	–	–
LAI Shi Hong, Edward	200,000	200,000	–	–
DYMO Hua Cheung, Philip	400,000	400,000	–	–
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.

	Options to subscribe for ordinary shares	
	At beginning of year	As 31 December 2008
The Company		
URANO Koichi	1,952,000	1,952,000
KIYOTA Akihiro	1,952,000	1,952,000
LAI Shi Hong, Edward	1,464,000	1,464,000
DYMO Hua Cheung, Philip	1,952,000	1,952,000

The directors' interest in the shares and options of the Company at 21 January 2009 were the same as those at 31 December 2008.

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.

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 the resolutions passed on 8 November 2004. The Scheme provides 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 2008	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2008	Exercise price per share	Exercisable period
9 March 2007	20,496,000	–	–	(19,032,000)	1,464,000	S$0.13	9 March 2008 to 8 March 2012
11 June 2008	–	19,032,000	–	–	19,032,000	S$0.07	11 June 2009 to 10 June 2013
Total	20,496,000	19,032,000	–	(19,032,000)	20,496,000		

Particulars of the share options granted in 2007 under the scheme were set out in the Report of the Directors for the financial year ended 31 December 2007.

In respect of share options granted to employees of the Group, a total of 19,032,000 options were cancelled and a total of 19,032,000 new options were granted during the financial year, making it a total of 20,496,000 options granted to employees of related corporations from the commencement of the Scheme to the end of the financial year.

Holders of the above share options have no right to participate in any share 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
URANO Koichi	1,952,000	3,904,000	–	(1,952,000)	1,952,000
KIYOTA Akihiro	1,952,000	7,320,000	–	(5,368,000)	1,952,000
LAI Shi Hong, Edward	1,464,000	6,344,000	–	(4,880,000)	1,464,000
DYMO Hua Cheung, Philip	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 four 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 the financial position of the Group and the financial position of the Company;

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

f) the re-appointment of the external 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 functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

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

7 AUDITORS

The auditors, Deloitte & Touche LLP, 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
30 March 2009

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 2008, the profit and loss statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 84.

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: 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 statement and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 provisions of 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 2008 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 LLP
Public Accountants and
Certified Public Accountants

WONG-YEO Siew Eng
Partner
Appointed on 5 August 2004

Singapore
30 March 2009

BALANCE SHEETS

As at 31 December 2008

	Note	Group 2008 US$'000	Group 2007 US$'000	Company 2008 US$'000	Company 2007 US$'000
ASSETS					
Current assets					
Cash and bank balances	6	29,877	29,509	132	92
Trade and other receivables	7	28,730	28,782	1,455	30
Prepaid lease payments	8	9	9	–	–
Inventories	9	10,628	13,617	–	–
Pledged bank deposits	6	1,295	1,622	–	–
Total current assets		70,539	73,539	1,587	122
Non-current assets					
Goodwill	10	1,516	1,516	–	–
Investments	11	1,865	3,537	–	1,511
Other assets	12	881	675	–	–
Amount due from a subsidiary	13	–	–	17,927	18,303
Prepaid lease payments	8	462	442	–	–
Property, plant and equipment	14	25,619	24,653	–	–
Subsidiaries	15	–	–	10,624	10,397
Total non-current assets		30,343	30,823	28,551	30,211
Total assets		100,882	104,362	30,138	30,333
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other borrowings	16	11,232	16,320	–	–
Trade and other payables	17	30,404	28,643	175	182
Current portion of obligation under finance leases	18	358	397	–	–
Income tax payable		480	531	–	–
Total current liabilities		42,474	45,891	175	182
Non-current liabilities					
Bank and other borrowings	16	1,170	3,950	–	–
Obligation under finance leases	18	543	324	–	–
Retirement benefit obligations	19	728	636	–	–
Deferred tax liabilities	20	778	626	–	–
Total non-current liabilities		3,219	5,536	–	–
Equity					
Share capital	22	10,110	10,128	10,110	10,128
Reserves		45,079	42,807	19,853	20,023
Equity attributable to equity holders of the Company		55,189	52,935	29,963	30,151
Minority interests		–	–	–	–
Total equity		55,189	52,935	29,963	30,151
Total liabilities and equity		100,882	104,362	30,138	30,333

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended 31 December 2008

	Note	Group 2008 US$'000	Group 2007 US$'000
Revenue	24	154,592	167,336
Cost of sales		(122,407)	(138,441)
Gross profit		32,185	28,895
Other income	26	1,253	1,057
Distribution costs		(4,094)	(4,837)
Administrative expenses		(27,383)	(23,339)
Finance costs	27	(498)	(791)
Profit before tax	28	1,463	985
Income tax expense	29	(1,342)	(928)
Profit for the year		121	57
Attributable to:			
Equity holders of the Company		121	(277)
Minority interests		–	334
		121	57
Earnings (Loss) per share (US cents)			
Basic	31	0.02	(0.06)
Diluted	31	0.02	(0.06)

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2008

	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 Reserves 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$'000	Minority interest US$'000	Total US$'000
Group													
Balance at 1 January 2007	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
Loss 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
Transfer to profit & loss statement (Note 11)	–	–	–	–	–	–	–	(54)	–	–	(54)	–	(54)
Currency translation differences	–	–	–	–	–	–	–	–	4,487	–	4,487	–	4,487
Net income recognised directly in equity	–	–	–	–	–	–	–	(54)	4,487	–	4,433	–	4,433
Profit for the year	–	–	–	–	–	–	–	–	–	121	121	–	121
Total recognised income and expense for the year	–	–	–	–	–	–	–	(54)	4,487	121	4,554	–	4,554
Transfer to deferred tax (Note 20)	–	–	–	–	–	–	–	36	–	–	36	–	36
Transfer on cancellation of share options	–	–	(265)	–	–	–	–	–	–	265	–	–	–
Transfer	–	–	–	–	405	4	4	–	–	(413)	–	–	–
Cancellation of purchased shares under Share Buyback Mandate	(18)	(13)	–	–	–	–	–	–	–	–	(31)	–	(31)
Share–based payment expense	–	–	227	–	–	–	–	–	–	–	227	–	227
Dividends paid (Note 30)	–	–	–	–	–	–	–	–	–	(2,532)	(2,532)	–	(2,532)
Balance at 31 December 2008	10,110	19,009	175	(7,020)	4,513	307	1,167	–	9,204	17,724	55,189	–	55,189

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2008

	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 2007	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 (Note 21)	–	–	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
Dividends paid (Note 30)	–	–	–	(1,464)	(1,464)
Balance at 31 December 2007	10,128	19,022	213	788	30,151
Net profit for the year	–	–	–	2,148	2,148
Total recognised income and expense for the year	–	–	–	2,148	2,148
Transfer on cancellation of share options	–	–	(265)	265	–
Recognition of share-based payments (Note 21)	–	–	227	–	227
Cancellation of purchased shares under Share Buyback Mandate	(18)	(13)	–	–	(31)
Dividends paid (Note 30)	–	–	–	(2,532)	(2,532)
Balance at 31 December 2008	10,110	19,009	175	669	29,963

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Group	
	2008 US$'000	2007 US$'000
Operating activities		
Profit before tax	1,463	985
Adjustments for:		
Depreciation of property, plant and equipment	3,864	3,632
Amortisation of prepaid lease payments	11	5
Interest income	(244)	(307)
Interest expenses	498	791
Loss on disposal of property, plant and equipment	143	110
Allowances for inventories	1,190	530
Share-based payment expense	227	213
Retirement benefit obligations	251	94
Impairment loss on available-for-sale investments	391	–
Gain on disposal of other assets	–	(227)
Operating cash flows before movements in working capital	7,794	5,826
Trade and other receivables	1,391	5,303
Inventories	1,799	578
Trade and other payables	1,761	(6,608)
Cash generated from operations	12,745	5,099
Net income tax paid	(1,439)	(814)
Retirement benefit obligations paid	(325)	–
Interest paid	(498)	(791)
Net cash from operating activities	10,483	3,494
Investing activities		
Proceeds from repayment of loan receivable (Note 7)	129	–
Proceeds from disposal of property, plant and equipment	359	486
Proceeds from disposal of other assets	–	1,136
Purchase of property, plant and equipment representing net cash used in investing activity*	(2,368)	(6,355)
Increase in other assets	(29)	(286)
Additional investment in available-for-sale investments	(15)	(1,525)
Interest income received	244	307
Net cash used in investing activities	(1,680)	(6,237)
Financing activities		
Payment of share buyback	(31)	–
Decrease (Increase) in pledged bank deposits	317	(606)
Proceeds from bank and other borrowings	–	7,005
Repayment of obligation under finance leases	(559)	(458)
Repayment of bank and other borrowings	(9,336)	–
Dividends paid	(2,532)	(1,464)
Net cash (used in) from financing activities	(12,141)	4,477
Net (decrease) increase in cash and cash equivalents	(3,338)	1,734
Cash and cash equivalents at beginning of year (Note 6)	29,509	26,836
Net effect of currency translation differences	3,706	939
Cash and cash equivalents at end of year (Note 6)	29,877	29,509

* The Group acquired property, plant and equipment with aggregate cost of approximately US$2,956,000 (2007 : US$6,681,000) of which US$588,000 (2007 : US$326,000) was acquired by means of finance leases. Cash payments of approximately US$2,368,000 (2007 : US$6,355,000) were made to purchase property, plant and equipment.

Year ended 31 December 2008

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 Room 06 – 10, 11th Floor, CCT Telecom Building, 11 Wo Shing Street, Fo Tan, Shatin, New Territories, Hong Kong. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are 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.

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 2008 were authorised for issue by the Board of Directors on 30 March 2009.

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").

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 2008. The adoption of these new/revised Standards and Interpretations does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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

IAS 1	Presentation of Financial Statements (Revised)
IAS 1	Presentation of Financial Statements (Amendments relating to puttable financial instruments and obligations arising on liquidation)
IAS 23	Borrowing Costs (Revised)
IAS 27	Consolidated and Separate Financial Statements (Revised)
IAS 27	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in the separate financial statements)
IAS 32	Financial Instruments: Presentation (Amendments relating to puttable financial instruments and obligations arising on liquidation)
IAS 39	Financial Instruments: Recognition and Measurement (Amendment relating to eligible hedged items)
IFRS 2	Share-based Payment (Amendments relating to Vesting Conditions and Cancellations)
IFRS 3	Business Combinations (Revised)
IFRS 7	Financial instruments: Disclosures (Amendments)
IFRS 8	Operating Segments

Consequential amendments were also made to various standards as a result of these new/revised standards.

In addition to the above, the IASB has also issued *Improvements to IFRSs* - a collection of minor amendments to various IFRSs that are broadly classified into the following categories:

- changes to presentation, recognition or measurement purposes; and
- changes involving terminology or editorial changes with minimal effect on accounting.

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

The management anticipates that the adoption of the above Standards and amendments to IFRSs in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

IAS 1 - *Presentation of Financial Statements (Revised)*

IAS 1 (Revised) will be effective for annual periods beginning on or after 1 January 2009, and will change the basis for presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

IFRS 8 - *Operating Segments*

IFRS 8 will be effective for annual financial statements beginning on or after 1 January 2009 and supersedes IAS 14 - Segment Reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, IAS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments may change.

IAS 23 - *Borrowing Costs (Revised)*

IAS 23 (Revised) will be effective for annual periods beginning on or after 1 January 2009 and eliminates the option available under the previous version of IAS 23 to recognise all borrowing costs immediately as an expense. An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As the change in accounting policy is to be applied prospectively, there will be no impact on amounts reported for 2008.

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

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

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.

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.

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.

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.

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

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 method, except for short-term receivables where the recognition of interest would be immaterial.

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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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.

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

Equity instruments

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

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest 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 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 Group'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.

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

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

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, residual values 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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

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

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 in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

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

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

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.

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.

Year ended 31 December 2008

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

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

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

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

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

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 currency 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 cash equivalents 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:

Allowance for inventories

In determining the net realisable value of the Company's inventories, management estimated the recoverable amount of inventories based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations in price, the balance on hand relative to sales prospects and the condition of the inventories. The allowances for inventories as at 31 December 2008 amounted to US$1,190,000 (2007 : US$530,000).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Information relating to the estimates used in assessing the carrying amounts of goodwill is set out on Note 10.

Recoverability of loan receivable

In 2007, the Company had a convertible loan to a privately held company ("Borrower"). Under the loan agreement, there was a conversion option granted to the Company. If the loan is not converted into equity in the Borrower, the loan will mature on 31 December 2008 and the Borrower has to pay the Company the principal amount plus interest of 6% per annum on 31 December 2008. The convertible loan was accounted as an "available-for-sale" investment as at 31 December 2007.

The Company did not exercise the conversion option and the investment has been classified as a loan receivable as at 31 December 2008. The Borrower repaid US$129,000 as at 31 December 2008 and has agreed with the Company to fully repay the loan in 2009 by quarterly instalments. The shareholders of the Borrower have provided a personal guarantee to the Company to secure the repayment of the loan.

The first quarter's instalment payment has been received. The shareholders of the Borrower provided personal guarantee for the repayment of the loan. Management has evaluated information relating to the shareholders and is of the view that the loan is recoverable.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Financial assets				
Held-to-maturity investments	979	988	–	–
Loans and receivables (including cash and cash equivalents)	58,417	59,339	19,495	18,425
Available-for-sale investments	886	2,549	–	1,511
Financial liabilities				
Amortised cost	44,169	50,270	175	182

(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

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

The carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective entities functional currencies at the reporting date are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Yen	4,389	4,136	6,102	3,013	–	–	–	–
US Dollars	14,831	16,025	20,342	25,841	–	–	–	–
HK Dollars	–	–	1,436	1,511	–	70	1,436	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.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

i) Foreign exchange risk (Cont'd)

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

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Yen	171	(112)	–	–
US Dollars	551	982	–	–
HK Dollars	144	151	144	144

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

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Yen	(171)	112	–	–
US Dollars	(551)	(982)	–	–
HK Dollars	(144)	(151)	(144)	(144)

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

ii) Interest rate risk

Certain of the Group's bank borrowings (Note 16) are arranged at variable interest rate 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.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rate for non-derivative financial liabilities and financial assets 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 before tax for the year ended 31 December 2008 would increase/decrease by US$103,000 (2007 : increase/decrease by US$57,000). 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.

iii) Equity price risk

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.

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 quoted available-for-sale equity investments, if the valuation are 10% higher/lower,

- the Group's net profit for the year ended 31 December 2008 would have been unaffected as the equity investments are classified as available-for-sale; and

- the Group's reserves would increase/decrease by US$11,000 (2007 : increase/decrease by US$25,000).

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

iv) Credit risk

The Group's principal financial assets are cash and bank balances 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 customers of the Group accounted for approximately 73% (2007 : 67%) 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

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

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.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

v) Liquidity risk (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
2008						
Non-interest bearing	–	30,138	728	–	–	30,866
Finance lease liability (fixed rate)	2.99	383	588	–	(70)	901
Variable interest rate instruments	2.88	9,438	1,204	–	(297)	10,345
Fixed interest rate instruments	1.44	2,087	–	–	(30)	2,057
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

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
2008						
Non-interest bearing	–	175	–	–	–	175
2007						
Non-interest bearing	–	182	–	–	–	182

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

v) Liquidity risk (Cont'd)

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 estimated future interest 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
2008						
Non-interest bearing	–	25,346	1,553	–	–	26,899
Variable interest rate instruments	0.31	30,976	–	–	(97)	30,879
Fixed interest rate instruments	4.85	1,827	798	–	(121)	2,504
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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

v) Liquidity risk (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
2008						
Variable interest rate instrument	0.01	133	–	–	(1)	132
Fixed interest rate instrument	0.9	1,522	18,017	–	(176)	19,363
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

vi) Fair values of financial assets and financial liabilities

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

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-option derivatives, and option pricing models for option derivatives.

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(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 equity holders 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 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 Board considers the cost of capital and the risks associated with each class of capital. The Board will balance the Group's 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 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	
	2008 US$'000	2007 US$'000
Purchases of goods	–	465
Support and marketing services received	110	112

Compensation of directors and key management personnel

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

	2008 US$'000	2007 US$'000
Short-term benefits	2,090	1,880
Share-based benefits	170	168
	2,260	2,048

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	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Cash at bank	21,878	26,287	132	92
Fixed deposits	9,204	4,753	–	–
Cash on hand	90	91	–	–
	31,172	31,131	132	92
Less: Pledged bank deposits	(1,295)	(1,622)	–	–
Cash and cash equivalents in the cash flow statement	29,877	29,509	132	92

Cash and bank balances comprise cash held by the Group and Company 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$1,295,000 (2007 : US$1,622,000) were placed as security for bank borrowings in Notes 16(a) and 16(c). These deposits are classified as current assets as the corresponding bank borrowings are repayable within one year (2007 : repayable within one year).

Fixed deposits earn an average interest rate of 1.82% (2007 : 1.83%) per annum and the tenure generally ranged from 30 days to 90 days for Japanese Yen deposits (2007 : 30 days to 90 days); 30 days for HK dollar deposits (2007 : 30 days) and 10 days for RMB deposits (2007 : 10 days).

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

	Group	
	2008 US$'000	2007 US$'000
US Dollars	6,744	10,394
Yen	5,449	1,569

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Amounts receivable from sale of goods:				
Outside parties	24,935	27,400	–	–
Related party (Note 5)	–	26	–	–
Total trade receivables	24,935	27,426	–	–
Other receivables	410	370	–	30
Loan receivable	1,436	–	1,436	–
Tax recoverable	167	152	–	–
Deposits	464	412	–	–
Prepayment	1,304	335	19	–
Value-added tax recoverable	14	87	–	–
	28,730	28,782	1,455	30

The average credit period on sale of goods is 60 days (2007 : 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$1,875,000 (2007 : US$2,946,000) which are past due at the balance sheet date for which the Group has not made any impairment 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.

The loan receivable of US$1,436,000 arises from the investment in a convertible loan to a privately held company ("Borrower") which was accounted as an "available-for-sale" investment as at 31 December 2007 (Note 11 (b)(ii)). The Company did not exercise the conversion option and this investment has been classified as a loan receivable as at 31 December 2008.

The Borrower company has repaid US$129,000 as at balance sheet date and has agreed with the Company for a delayed repayment schedule to fully repay the loan in 2009 by quarterly instalments. The shareholders of the Borrower have provided a personal gurantee to the Company to secure the repayment of the loan.

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

	Group	
	2008 US$'000	2007 US$'000
Less than 30 days overdue	1,372	1,990
30 to 60 days overdue	422	672
Over 60 days overdue	81	284
	1,875	2,946

7. TRADE AND OTHER RECEIVABLES (Cont'd)

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

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
US Dollars	13,598	15,447	–	–
Yen	653	1,444	–	–
HK Dollars	1,436	–	1,436	–

8. PREPAID LEASE PAYMENTS

The prepaid lease payments comprise:

	Group	
	2008 US$'000	2007 US$'000
Leasehold land in the PRC:		
Long-term lease	471	451
Analysed for reporting purposes as		
Current portion	9	9
Non-current portion	462	442
	471	451

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

9. INVENTORIES

	Group	
	2008 US$'000	2007 US$'000
Raw materials	3,864	7,391
Work-in-progress	1,664	1,787
Finished goods	5,100	4,439
	10,628	13,617

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

10. GOODWILL

	Group	
	2008 US$'000	2007 US$'000
Cost		
Balance at beginning of year	1,516	3,569
Adjustment on acquisition of remaining equity interest of a subsidiary (Note 32(b))	–	(2,053)
Balance at end of year	1,516	1,516

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.

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 1.5% for the second year and growth rate of 1% for the third to fifth year. The Group also estimates a terminal value assuming no growth beyond this period.

The rate used to discount the forecast cash flows to net present value is 9% (2007 : 9%).

11. INVESTMENTS

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Available-for-sale investments				
Quoted equity securities, at fair value	111	252	–	–
Unquoted debt securities, at fair value	775	2,297	–	1,511
	886	2,549	–	1,511
Held-to-maturity investment	979	988	–	–
Total	1,865	3,537	–	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 is based on the quoted closing market prices on the last market day of the financial year.

Impairment loss on quoted available-for-sale equity investment of US$142,000 (2007 : US$Nil) charged to the consolidated profit and loss statement is derived as follows:

	2008 US$'000	2007 US$'000
Changes in fair value adjustments, recognised through profit and loss statement	196	–
Cumulative fair value gains previously recognised in equity, now recognised through profit and loss statement	(54)	–
Impairment loss charged through profit and loss statement	142	–

In making its judgment on the impairment loss, management considered the following various factors :

(i) the substantial reduction in the current fair value relative to the cost; and

(ii) the length of time the fair value has remained lower than cost.

(b) Included in the unquoted debt securities are:

(i) US$775,000 (2007 : US$786,000) of debt securities with effective interest rates of 2% (2007 : 3%) per annum and will mature in October 2035;

(ii) US$Nil (2007 : US$1,511,000) of investment in a convertible loan to a privately held company ("Borrower"). The salient features of the convertible loan were as follows:

- Option granted to the Group to convert the loan to ordinary shares of the Borrower between 30 June 2008 and 30 September 2008;
- If not converted, the loan will mature on 31 December 2008 and the Borrower has to pay the Group the principal amount plus interest of 6% per annum on 31 December 2008.

The Company did not exercise the conversion option and the investment has been classified as a loan receivable as at 31 December 2008 (Note 7).

Impairment loss on unquoted available-for-sale debt securities charged to the profit and loss statement amounted to US$249,000 (2007 : US$Nil).

11. INVESTMENTS (Cont'd)

(c) As at 31 December 2008, 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 was 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	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
HK Dollars	–	1,511	–	1,511

12. OTHER ASSETS

	Group	
	2008 US$'000	2007 US$'000
Directors' insurance	214	129
Rental deposit	660	534
Golf club membership	7	12
	881	675

Directors' insurance represents the surrender values of an insurance policy taken by TM Japan. Under the policy, TM Japan pays the premiums, expenses a portion of such payments and records a recoverable amount approximating the surrender values of the insurance policy. On maturity of the insurance policy, the payouts by the insurance company will be retained by TM Japan. Payouts by the insurance company on any death claims during the insured period will be made to TM Japan.

13. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured and earns interest at 0.5% (2007 : 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.

Year ended 31 December 2008

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
Group							
Cost:							
At 1 January 2007	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
Additions	71	1,427	1,091	296	71	–	2,956
Disposal	–	(525)	(181)	(52)	(76)	–	(834)
Currency translation differences	1,085	1,194	497	790	58	–	3,624
At 31 December 2008	11,588	16,103	5,895	8,741	984	–	43,311
Accumulated depreciation:							
At 1 January 2007	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
Depreciation	461	1,693	813	751	146	–	3,864
Eliminated on disposals	–	(108)	(141)	(26)	(57)	–	(332)
Currency translation differences	62	559	237	358	32	–	1,248
At 31 December 2008	924	7,913	3,351	4,878	626	–	17,692
Carrying amount:							
At 31 December 2008	10,664	8,190	2,544	3,863	358	–	25,619
At 31 December 2007	10,031	8,238	2,046	3,912	426	–	24,653

The carrying amount of the Group's property, plant and equipment includes an amount of US$1,587,000 (2007 : US$1,584,000) in respect of assets held under finance leases (Note 18).

The Group has pledged leasehold land and building with carrying amount of approximately US$2,875,000 (2007 : US$2,230,000) to secure banking facilities granted to the Group (Note 16 (b)).

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

15. SUBSIDIARIES

	Company 2008 US$'000	Company 2007 US$'000
Unquoted equity shares, at cost	9,642	9,642
Recognition of share-based payment	982	755
	10,624	10,397

Deemed additional investment of US$227,000 (2007 : US$213,000) 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 2008 %	Proportion of ownership interest and voting power held 2007 %	Principal activity
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

Year ended 31 December 2008

15. SUBSIDIARIES (Cont'd)

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2008	2007	
		%	%	
Held by TM Hong Kong				
Crystal Display Components (Suzhou) Co., Limited [3] ("CD Suzhou")	Suzhou, PRC	100	100	Manufacturing of metal and plastic LCD frames
Tomoike Electronics (Shanghai) Co., Limited [3] ("TM Pudong")	Shanghai, PRC	100	100	Manufacturing of LCD backlight units and its related components
Tomoike Precision Machinery (Shanghai) Co., Limited [3] ("TM Shanghai")	Shanghai, PRC	100	100	Manufacturing of precision accessories for office equipment and electrical appliances
Tomoike Industrial Co, Limited [4] ("TM Japan")	Japan	100	100	Trading and manufacturing of precision accessories for office equipment and components and other electrical and electronic appliances, LCD backlight units and its related components
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] ("WH Hong Kong")	Hong Kong	100	100	Investment holding

15. SUBSIDIARIES (Cont'd)

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2008	2007	
		%	%	
Held by CD Shanghai BVI				
Crystal Display Components (Shanghai) Co., Limited [(3)] ("CD Shanghai")	Shanghai, PRC	100	100	Manufacturing of LCD backlight units and its related components
Tomoike Precision Machinery (Dongguan) Co., Limited [(2)] ("TM Dongguan")	Dongguan, PRC	100	100	Manufacturing of LCD backlight units and its related components, precision accessories for office equipment and electrical appliances
Held by WH Hong Kong				
Wah Hang Precision Machinery (Dongguan) Limited [(2) (5)] ("WH Dongguan")	Dongguan, PRC	100	–	Manufacturing of 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, PRC.

(4) Audited by Deloitte Touche Tohmatsu, Japan.

(5) Incorporated during the financial year.

16. BANK AND OTHER BORROWINGS

	Group 2008 US$'000	Group 2007 US$'000
Bank loans – unsecured	9,344	13,547
Bank loans – secured	1,287	4,794
Corporate bond – unsecured	1,771	1,929
Total	12,402	20,270
The bank borrowings are repayable as follows:		
Within one year	9,461	15,794
In the second year	1,170	1,377
In the third year	–	1,170
	10,631	18,341
The corporate bonds are repayable as follows:		
Within one year	1,771	526
In the second year	–	1,403
In the third year	–	–
	1,771	1,929
Total bank and other borrowings	12,402	20,270
Less: Amount due for settlement within 12 months (shown under current liabilities)	(11,232)	(16,320)
Amount due for settlement after 12 months (shown under non-current liabilities)	1,170	3,950

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

a) A bank loan of approximately US$1,000,000 (2007 : US$4,552,000), denominated in US Dollars is secured by fixed deposits of the Group amounting to US$1,002,000 (2007 : US$1,622,000) (Note 6). The bank loan bears interest at 3.65% (2007 : 5.37%) .

b) Bank loans denominated in Yen amounting to US$56,000 (2007 : US$242,000) were secured by leasehold land and building of the Group amounting to US$2,875,000 (2007 : US$2,230,000) (Note 14). The bank loans bear interest at 1.87% (2007 : 2.05%).

c) A bank loan of approximately US$231,000 (2007 : US$Nil), denominated in US Dollars is secured by fixed deposits of the Group amounting to US$293,000 (2007 : US$Nil) (Note 6). The bank loan bears interest at 4.92% (2007 : Nil).

d) The original amounts of fixed rate corporate bonds issued by TM Japan in 2004 were as follows:

		Annual interest	Repayable terms
(1)	JPY 200,000,000	0.68%	By semi-annual instalments until December 2009
(2)	JPY 100,000,000	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 2.87% (2007 : 3.88%) per annum.

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

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

	Group	
	2008 US$'000	2007 US$'000
US Dollars	5,411	10,162
Yen	3,874	2,280

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Trade creditors	25,597	24,958	–	–
Accruals	1,944	2,080	–	50
Other payables	2,863	1,605	175	132
	30,404	28,643	175	182

The average credit period on purchases of goods is 60 days (2007 : 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	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
US Dollars	9,420	5,863	–	–
Yen	515	1,856	–	–
HK Dollars	–	–	–	70

18. FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Amounts payable under finance leases:				
Within one year	383	426	358	397
In the second to fifth year inclusive	588	337	543	324
	971	763	901	721
Less: Future finance charges	(70)	(42)	N/A	N/A
Present value of lease obligations	901	721	901	721
Less: Amount due for settlement within 12 months (shown under current liabilities)			(358)	(397)
Amount due for settlement after 12 months (shown under non-current liabilities)			543	324

The effective borrowing rates ranged from 1.50% to 6.55% (2007 : 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$251,000 (2007 : US$94,000).

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 assets (liabilities) recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation US$'000	Temporary difference relating to held-to-maturity investment US$'000	Directors' insurance US$'000	Retirement benefit obligations US$'000	Withholding tax on undistributed earnings of subsidiaries US$'000	Others US$'000	Total US$'000
Group							
At 1 January 2007	(308)	(701)	(189)	216	–	200	(782)
Currency translation difference	(7)	(5)	(3)	11	–	4	–
(Charge) Credit to equity for the year	(17)	(66)	147	27	–	(91)	–
Credit (Charge) to profit & loss statement for the year (Note 29)	174	–	–	–	–	(18)	156
At 31 December 2007	(158)	(772)	(45)	254	–	95	(626)
Currency translation difference	(50)	(190)	(14)	63	–	44	(147)
Transfer from revaluation reserve	–	–	–	–	–	36	36
(Charge) Credit to profit & loss statement for the year (Note 29)	(54)	84	(13)	(26)	(124)	92	(41)
At 31 December 2008	(262)	(878)	(72)	291	(124)	267	(778)

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 9 March 2007*	20,496	9 March 2007	8 March 2012	S$0.130	US$0.01
Issued on 11 June 2008	19,032	11 June 2008	10 June 2013	S$0.070	US$0.01

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 2008 ('000)	Granted ('000)	Exercised ('000)	Cancelled/ Lapsed ('000)*	Balance at 31 December 2008 ('000)	Exercise price per share	Exercisable Period
9 March 2007	20,496	–	–	(19,032)	1,464	S$0.130	9 March 2008 to 8 March 2012
11 June 2008	–	19,032	–	–	19,032	S$0.070	11 June 2009 to 10 June 2013
	20,496	19,032	–	(19,032)	20,496		

* In accordance with the terms of the share-based arrangement, the options which were granted on 9 March 2007 vested on 9 March 2008. On 23 May 2008, the Remuneration 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 30 June 2008.

21. SHARE-BASED PAYMENTS (Cont'd)

Equity-settled share option scheme (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 4.4 years (2007 : 4.2 years).

The fair value for share options granted on 11 June 2008 (2007: 9 March 2007) were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2008	2007
Weighted average share price on date of grant (Singapore cents)	6.5	12.5
Weighted average exercise price (Singapore cents)	7.0	13.0
Expected volatility	57.80%	47.85%
Expected life	3 years	3 years
Risk free rate	1.852%	2.802%
Expected dividend yield	4.46%	7.63%

Expected volatility was determined by calculating the historical volatility of the Company's share price from 1 July 2006 to 11 June 2008 (2007 : 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$227,000 (2007 : US$213,000) related to equity-settled share-based payment during the year.

22. SHARE CAPITAL

	Group and Company			
	2008	2007	2008	2007
	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	506,405,221	488,000,000	10,128	9,760
Cancellation of purchased shares under Share Buyback Mandate	(900,000)	–	(18)	–
Issued for acquisition of remaining equity interest in a subsidiary (Note 32(b))	–	18,405,221	–	368
At the end of the year	505,505,221	506,405,221	10,110	10,128

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 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 appropriated from retained earnings at 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 payables and accrued expenses.

25. SEGMENT INFORMATION (Cont'd)

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.

	Parts trading US$'000	LCD backlight units US$'000	Precision accessories US$'000	LCD frames US$'000	Eliminations US$'000	Total US$'000
2008						
REVENUE						
External sales	27,913	86,185	23,748	16,746		154,592
Inter-segment sales	–	2,452	1,729	1,637	(5,818)	–
Total revenue	27,913	88,637	25,477	18,383	(5,818)	154,592
RESULTS						
Segment result	304	3,398	1,643	41	–	5,386
Unallocated corporate expense						(3,669)
Operating profit						1,717
Interest expenses						(498)
Interest income						244
Profit before tax						1,463
Income tax expense						(1,342)
Profit for the year						121
ASSETS						
Segment assets	22,956	34,824	16,923	21,127	(963)	94,867
Unallocated assets						6,015
Consolidated total assets						100,882
LIABILITIES						
Segment liabilities	12,071	11,465	5,417	2,125	(963)	30,115
Bank and other borrowings and finance leases						13,303
Unallocated liabilities						2,275
Consolidated total liabilities						45,693
OTHER INFORMATION						
Capital expenditure	815	129	1,152	860	–	2,956
Depreciation of property, plant and equipment	385	1,242	833	1,404	–	3,864

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
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 expenses						(791)
Interest income						307
Profit before tax						985
Income tax expense						(928)
Profit for the year						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 and other 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)

Geographical segments

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

	Group 2008 US$'000	Group 2007 US$'000
Sales revenue by geographical market		
Hong Kong Special Administrative Region ("Hong Kong")	50,570	57,338
PRC	71,941	61,664
Japan	30,532	41,378
Others	1,549	6,956
Total	154,592	167,336

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	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Hong Kong	189	229	20,063	24,920
PRC	1,845	6,118	59,650	54,626
Japan	922	334	21,169	24,816
Total	2,956	6,681	100,882	104,362

26. OTHER INCOME

	Group 2008 US$'000	Group 2007 US$'000
Interest income from bank deposits	244	307
Sundry income	200	396
Gain on disposal of scrap material	809	354
	1,253	1,057

27. FINANCE COSTS

	Group	
	2008 US$'000	2007 US$'000
Interest expenses to non-related companies	498	791

28. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Group	
	2008 US$'000	2007 US$'000
Depreciation of property, plant and equipment	3,864	3,632
Amortisation of prepaid lease payments	11	5
Directors' remuneration	1,320	1,055
Employee benefits expense		
Post employment benefits		
- Defined contribution plans	2,617	2,366
- Defined benefit plan	251	94
Share-based payments:		
- Equity settled share-based payments	227	213
Other employee benefits expense	28,086	26,215
Total employee benefits expense	31,181	28,888
Audit fees:		
- Auditor of the Company	51	48
- Other auditors	374	390
Non-audit fees:		
- Other auditors	8	138
Write-off of doubtful debts	–	78
Allowance for inventories	1,190	530
Inventories recognised as expense	122,407	138,441
Loss on disposal of property, plant and equipment	143	110
Net foreign currency exchange loss	2,004	542
Impairment loss on available-for-sale investments	391	–

29. INCOME TAX EXPENSE

	Group	
	2008 US$'000	2007 US$'000
Current tax	1,301	1,084
Deferred tax (Note 20)	41	(156)
	1,342	928

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 16.5% (2007 : 17.5%), the Japan tax rate of 41.7% (2007 : 41.7%) and the tax rates in different locations in PRC ranging from 18% to 25% (2007 : 15% to 24%) to profit before income tax, as a result of the following:

	Group	
	2008 US$'000	2007 US$'000
Profit before tax	1,463	985
Tax at the domestic rates applicable to profits in the country concerned	881	582
Tax effect of expenses not deductible for tax purpose	504	278
Utilisation of timing differences previously not recognised	(153)	–
Effect of tax exemptions granted to PRC subsidiaries	(63)	(280)
Effect of tax unused tax losses and tax offsets not recognised as deferred tax assets	49	348
Provision for deferred tax impact on undistributed earnings	124	–
Total income tax expense	1,342	928

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 December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed 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.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to the profit earned by the PRC subsidiaries.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009 (from 1 April 2008 to 31 March 2009). Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007 : 17.5%) of the estimated assessable profit for the year.

30. DIVIDENDS

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

In 2008, a final dividend of 0.1 US cents per share (total dividend : US$506,000) in respect of 2007 and an interim dividend of 0.4 US cents per share (total dividend : US$2,026,000) in respect of 2008 were paid to shareholders.

In respect of the current financial year, the directors propose that a final dividend of 0.4 US cents per share be paid to shareholders on 27 May 2009. This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 28 April 2009 and has not been included as a liability in these financial statements. Based on the number of ordinary shares as at 31 December 2008, the total estimated dividend to be paid is US$2,022,000.

31. EARNINGS (LOSS) PER SHARE

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

	2008 US$'000	2007 US$'000
Profit (Loss) for the year attributable to equity holders of the Company	121	(277)

	2008 '000	2007 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	506,364	492,601
Effect of dilutive potential ordinary shares: Share options	–	854
Weighted average number of ordinary shares for the purposes of diluted earnings per share	506,364	493,455

In 2008, there was no dilutive effect on 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 US$'000	Fair value of net assets acquired US$'000	Goodwill (Negative goodwill) on acquisition US$'000
TM Japan	Trading and manufacturing of precision accessories for office equipment and other electrical and electronics appliances, LCD backlight units and its related components	1 July 2006 (First tranche acquisition)	51.37%	6,958	3,389	3,569
		29 September 2007 (Second tranche acquisition)	48.63%	1,736	3,789	(2,053)
Total			100%	8,694	7,178	1,516

32. ACQUISITION OF A SUBSIDIARY (Cont'd)

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 obligation under finance leases	(250)
Trade and other payables	(13,640)
Income tax payable	(1,275)
Non-current liabilities	
Bank and other borrowings	(2,558)
Obligation under 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

32. ACQUISITION OF A SUBSIDIARY (Cont'd)

a) First tranche acquisition of 51.37% of equity of TM Japan (Cont'd)

The cost of acquisition of Tomoike Industrial Co., Limited 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 Tomoike Industrial Co., Limited.

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 on 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.

32. ACQUISITION OF A SUBSIDIARY (Cont'd)

b) Second tranche acquisition of 48.63% of equity of TM Japan (Cont'd)

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 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.

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	
	2008 US$'000	2007 US$'000
Minimum lease payments under operating leases recognised as an expense for the year	2,765	2,322

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

	Group	
	2008 US$'000	2007 US$'000
Future minimum lease payments payable:		
Within one year	1,697	1,838
In the second to fifth years inclusive	1,964	1,783
Total	3,661	3,621

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	
	2008 US$'000	2007 US$'000
Commitments for acquisition of property, plant and equipment:		
Contracted for but not provided	22	215

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company set out on pages 35 to 84 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 2008, 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

30 March 2009

STATISTICS OF SHAREHOLDINGS

As at 10 March 2009

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	707	41.66	3,232,000	0.64
10,001 – 1,000,000	964	56.81	76,147,000	15.10
1,000,001 and above	21	1.24	424,998,221	84.26
Total	1,697	100.00	504,379,221	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Mikuni Co., Limited	239,680,000	47.52
2.	DBS Nominees Pte Ltd	59,850,000	11.87
3.	UOB Kay Hian Pte Ltd	49,078,221	9.73
4.	DBS Vickers Securities (S) Pte Ltd	29,237,000	5.80
5.	OCBC Securities Private Ltd	10,305,000	2.04
6.	Ng Hwee Koon	4,800,000	0.95
7.	Ang Yu Seng	4,714,000	0.93
8.	Kim Eng Securities Pte. Ltd.	3,864,000	0.77
9.	Ong Peng Koon Gilbert	3,541,000	0.70
10.	Lim & Tan Securities Pte Ltd	3,096,000	0.61
11.	Wong Kam Hon	2,101,000	0.42
12.	Phillip Securities Pte Ltd	2,060,000	0.41
13.	Mayban Nominees (S) Pte Ltd	1,800,000	0.36
14.	Chian Shian Ann @ Chiam Yeow Ann	1,632,000	0.32
15.	Wong Kien Chorn	1,600,000	0.32
16.	Chua Kok Peng	1,415,000	0.28
17.	Armstrong Industrial Corporation Limited	1,400,000	0.28
18.	Lim Buan Hua	1,388,000	0.28
19.	Lee Seak Sung @ Lee Seak Song	1,257,000	0.25
20.	Thian Toh Tin	1,170,000	0.23
	Total	423,988,221	84.07

STATISTICS OF SHAREHOLDINGS

As at 10 March 2009

Class of equity securities	:	Ordinary share
No. of equity securities	:	504,379,221
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 10 MARCH 2009

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	239,680,000	47.52	–	–
Yoshimi Kunikazu*	18,405,221	3.65	239,680,000	47.52
The China Fund, Inc.	60,000,000	11.90	–	–

* Mr Yoshimi Kunikazu is deemed to have interest in the shares held by Mikuni Co., Limited ("Mikuni") by virtue of his shareholdings in Mikuni.

PUBLIC FLOAT

As at 10 March 2009, 36.05% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CDW Holding Limited (the "Company") will be held at Carlton Hotel Singapore, Level 4, Esplanade Room 1, 76 Bras Basah Road, Singapore 189558 on Tuesday, 28 April 2009 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Audited Accounts of the Company for the year ended 31 December 2008 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.4 US cent per ordinary share (tax not applicable) for the year ended 31 December 2008 (2007: Final dividend of 0.1 US cent per ordinary share (equivalent to approximately 0.13745 Singapore cent) (tax not applicable)). **(Resolution 2)**

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

Mr WONG Yik Chung, John	(Retiring under Bye-law 104)	**(Resolution 3)**
Mr LAI Shi Hong, Edward	(Retiring under Bye-law 104)	**(Resolution 4)**
Mr WONG Chak Weng	(Retiring under Bye-law 104)	**(Resolution 5)**
Mr DYMO Hua Cheung, Philip	(Retiring under Bye-law 107(A))	**(Resolution 6)**

   Mr Wong Yik Chung, John, will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered independent.

   Mr Lai Shi Hong, Edward, will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee and will be considered non-independent.

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

4. To approve the payment of Directors' fees of S$220,000 for the year ending 31 December 2009 to be paid quarterly in arrears (2008: S$220,000). **(Resolution 7)**

5. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

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

AS SPECIAL BUSINESS

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

7. Authority to issue shares

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

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

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

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) 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 SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) 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 any convertible securities;

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

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

(3) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issues;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company; and

(5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (i))

(Resolution 9)

8. 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 Holding Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the 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 10)

By Order of the Board

Tan San-Ju
Secretary
Singapore, 3 April 2009

Explanatory Notes:

(i) The Ordinary Resolution 9 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

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

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(ii) The Ordinary Resolution 10 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to 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 aggregate (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, he must complete and deposit the Proxy Form 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.

CORPORATE INFORMATION

Management Team

Board of Directors

Chairman and Chief Executive Officer
YOSHIMI Kunikazu

Executive Director
URANO Koichi
KIYOTA Akihiro
LAI Shi Hong, Edward
DYMO Hua Cheung, Philip

Independent Director
HO Yew Mun
NG Wai Kee
WONG Chak Weng
WONG Yik Chung, John

Key Executive Officers
CHAN Kam Wah
EGUCHI Yasunori
LEE Haeng Jo (also known as MORIYAMA Kozo)
OCHI Shinichi
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

Room 6-10, 11th Floor, CCT Telecom Building
11 Wo Shing Street, Fo Tan, Shatin,
New Territories, Hong Kong

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte. 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 LLP
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

CDW Holding Limited
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