CDW

Unwavering Spirit

ANNUAL REPORT 2009

CDW HOLDING LIMITED

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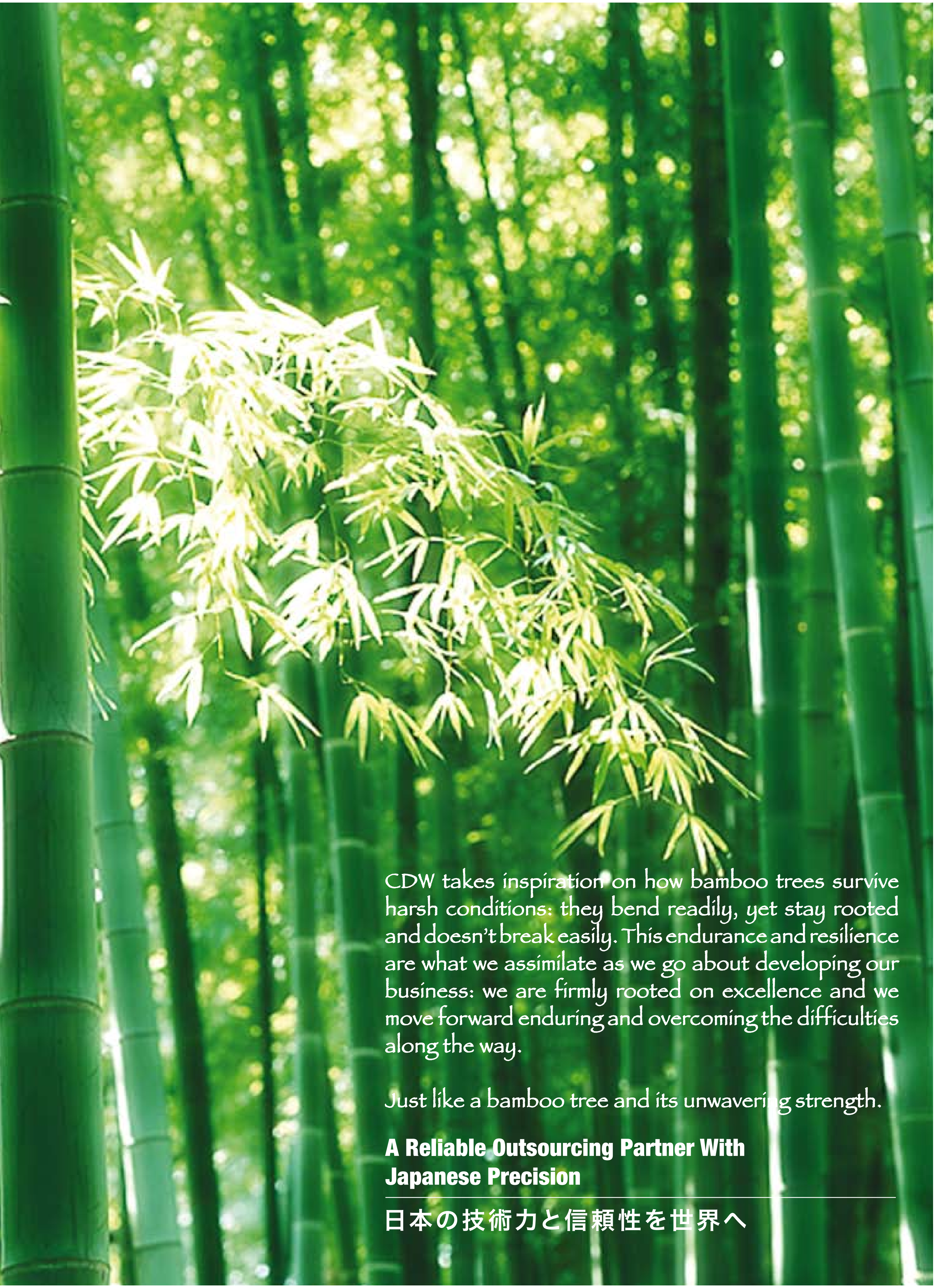


CDW takes inspiration on how bamboo trees survive harsh conditions: they bend readily, yet stay rooted and doesn't break easily. This endurance and resilience are what we assimilate as we go about developing our business: we are firmly rooted on excellence and we move forward enduring and overcoming the difficulties along the way.

Just like a bamboo tree and its unwavering strength.

A Reliable Outsourcing Partner With Japanese Precision

日本の技術力と信頼性を世界へ

Corporate Profile

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

OUR PRODUCTS



APPLICATIONS



LCD Backlight Units	LCD Parts and Accessories	Office Automation

Our Production Centres

Letter to Shareholders

YOSHIMI Kunikazu
Chairman and
Chief Executive Officer

Dear Shareholders,

During financial year 2009, CDW maintained focus, concentrating on its strategy of manufacturing higher value-added precision components with actively managing costs. While the macro-economic environment was challenging, especially in the first half, we believe our strategy was sound and generated sustainable value.

With the world economy still experiencing recession during the year past, group sales were impacted, decreasing by 30.6% year-on-year from US$154.6 million in FY08 to US$107.3 million. Gross profits also declined by 21.4% year-on-year from US$32.2 million in FY08 to US$25.3 million for FY09. However, with cost containment measures, we managed to reduce expenses, booking an increase in year-on-year net profits from US$0.1 million in FY08 to $0.3 million in FY09.

Our efforts at focusing on higher value-added products mainly provided for gamesets, digital cameras and hand-held GPS systems contributed to strengthening profit margins over the year. Fourth quarter 2009 gross profit rose to US$7.9 million from US$7.5 million in third quarter 2009. Gross profit margins improved to 26.3% in fourth quarter 2009 from 23.4% in third quarter 2009.

On a per share basis, FY09 earnings per share was 0.05 US cents as compared to 0.02 US cents in FY08. Net Asset Value per share as at year-end 31 December 2009 was 10.40 US cents. This compares with 10.92 US cents at year-end 31 December 2008. In recognition of our loyal shareholders, the Board is proposing a final dividend of 0.3 US cents per ordinary share to be approved at the upcoming Annual General Meeting. Combined with an interim cash dividend of 0.2 US cents per share, total dividend payout for FY09 should be 0.5 US cents per share.

Operations Highlights

Comprising about half of group revenue during the year in review, the LCD Backlight Units segment remains our largest business division, with production mostly of the more profitable gamesets, as opposed to handsets (mobile phones). Meanwhile, the LCD Parts and Accessories segment contributed 27.6% to group revenue while Office Automation revenue contribution was 23.4%.

On a year-on-year basis, sales in our LCD Backlight Units segment saw a decrease of 31.7% while our LCD Parts and Accessories segment sales declined by 40.9%. Office Automation sales were decreased 8.7%.

During the year, we actively managed costs, reducing operating expenses by approximately US$2 million with a lower head count and salary-related expenses, stringent controls over marketing costs and lower utility and facility expenses.

Outlook and Strategy

With the pick-up in consumer and business sentiment worldwide, our operating environment has been improving since the lows of first quarter 2009. Indeed, quarterly results from second quarter 2009 onwards have been on a gradual rebound and we expect this business momentum to continue to the current year 2010.

We will continue to implement our twin strategy of focused higher value-added production and active cost management.

Nonetheless, given the uneven recovery of the global economy, with Asia growing robustly while developed economies are hampered by rampant unemployment and significant corporate and sovereign debt, we have reason to be cautiously optimistic about prospects. We note that within our group, the average capacity utilisation rate for our plants was less than 50% in FY09, which is on average lower than for the previous two years of 2007 and 2008. As such, we have to maintain our vigilance in ensuring the steady recovery of our business.

With international operations in Japan, China and Hong Kong, we are exposed to currency risk and are especially mindful of currency volatility in the wake of the global recession and financial crisis. Indeed, over 2009, the appreciating Japanese Yen affected our raw material costs. To mitigate currency risk, CDW has been employing forward contracts and options on a monthly basis and will continue doing so.

Going forward, we will continue to implement our twin strategy of focused higher value-added production and active cost management. As for our business segment outlook, we anticipate the LCD Backlight Units segment to encounter significant competitive pressure while the outlook for the LCD Parts and Accessories segment should be more robust as the manufactured goods here are required in a wider range of end-products. The Office Automation business, comprising primarily of products used in the manufacture of office printers and photocopiers, should furnish steady contributions in line with the upward trend of the replacement cycle for such office equipment.

With China growing robustly and facing a tight labour market, we anticipate a likely adverse impact on our China operations in the current year 2010. Regardless of the scenario, we believe in prudence and cost containment and will reduce administrative expenses where necessary. We will improve productivity and lower production cost per unit through production process re-engineering and equipping our workers with additional skills.

In this uncertain business environment, our customers have been placing orders just sufficient for the near-term. Order visibility, especially for our LCD Backlight Units segment, is as such low. To counteract this, pro-active inventory management is key, and we will continue to synchronise supply levels with customer orders. As of January 2010, the group's order book was US$12.8 million in which the LCD Backlight Units segment accounted for US$6.0 million.

With a dynamic market landscape, we will leverage on our sound financial position and consider investment opportunities within our market space. This will expand our capabilities while diversifying our risk.

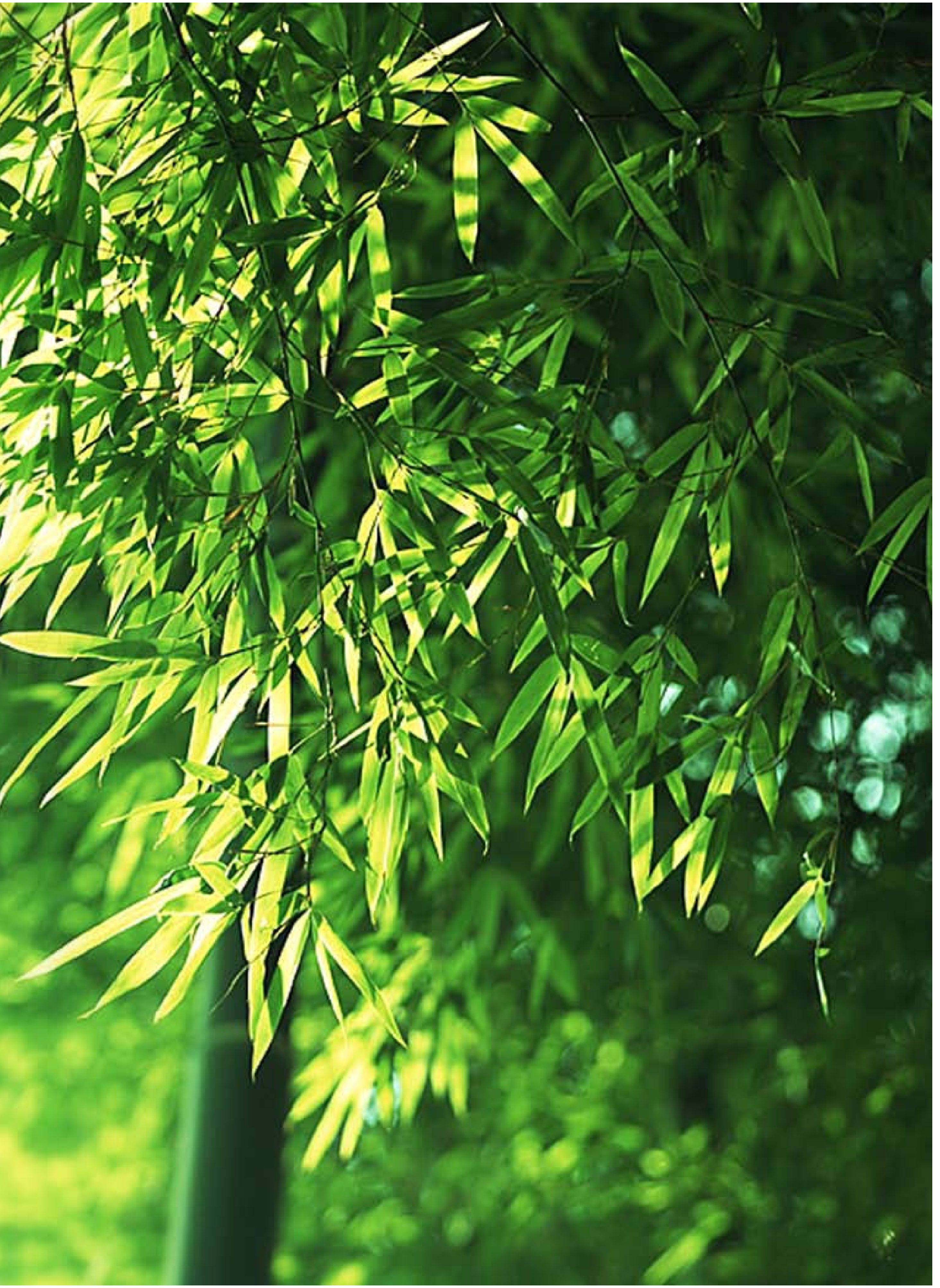
Conclusion

Without a doubt, the past year has been bracing, but I believe we have weathered it well and are prepared for the road ahead. With our prudence and sound strategy, I am confident CDW will be up to the challenges in 2010. At this juncture, on behalf of the Board, I would like to thank our directors, management and staff for their drive and dedication. I would also like to thank our loyal business partners, customers and shareholders. We look forward to your continued support.

Yours Sincerely,
YOSHIMI Kunikazu

Firmly rooted on EXCELLENCE

We leverage on our superior quality products and established position as a specialist in precision components for communication, entertainment, consumer and IT equipment.



Financial and Operations Review

In the challenging operating environment that was Financial Year 2009, CDW witnessed a decrease of 30.6% in sales, from US$154.6million in FY08 to US$107.3 million in FY09. This was mainly due to a reduction in orders in the LCD Backlight Units segment and the LCD Parts and Accessories segment.

Year-on-year gross profits declined 21.4% to US$25.3 million. This compares with US$32.2 million in the previous year.

CDW's strategy of cost containment resulted in a paring down of expenses. Cost of sales decreased by 33% to US$82.0 million due to management efforts in cost reduction as well as a reduction in sales. Labour-related expenses decreased by US$5.2 million or 36.4%, tooling and consumables reduced by US$0.6 million or 54.0% and utilities reduced by US$0.4 milllion or 25.2%. The decline in the cost of sales was more than the decline in sales.

Administrative expenses were also reduced by US$5.4 million or 19.7%, from US$27.4 million in FY08 to US$22.0 million in FY09. Indeed, during fourth quarter 2009, administrative expenses were reduced by about US$2.5 million or 32.5% from $7.8 million in third quarter 2009 to US$5.3 million in fourth quarter 2009. With reduced sales, FY09 distribution expenses decreased by 49.3%. During the year, we strictly controlled freight and storage charges, courier charges as well as packing materials. This translated to the decrease in distribution expenses being more than the reduction in sales and cost of sales.

Coupled with an eagle eye focus on cost containment, CDW has also targeted producing higher value-added goods, manufacturing a larger quantity of the more lucrative gamesets, for example, than handsets. This has resulted in gradual improvements in our gross profit margins over the year. On a year-on-year basis, our gross profit margin grew from 20.8% in FY08 to 23.6% in FY09.

Cost management and a focus on higher value-added products resulted in full year net profits of US$0.3 million over as compared to the preceding year's net profits of US$0.1 million.

LCD Backlight Units

Revenue from our LCD Backlight Units segment was affected by weak global demand in the first half of the year but gradually recovered in the second half. Full year revenue from this segment was US$52.6 million, a year-on-year decline of 31.7% from US$77.0 million (restated) in the previous year. Nonetheless, this segment remained our largest, constituting about half of total revenue in FY09. The earnings before interest and taxes (EBIT) for this segment was US$1.5 million in FY09, a decline from US$2.7 million (restated) in the previous year.

During the year, CDW manufactured a total of 0.66 million handsets and 25.6 million gamesets. In the preceding year, CDW manufactured 15.9 million handsets and 31.4 million gamesets.

The average capacity utilisation rate for LCD Backlight Units production has been moribund, with utilisation at about 30% for the first half and about 40% in the second half.

LCD Parts and Accessories

Revenue from the LCD Parts and Accessories segment was low throughout the year, with full year revenue contributions being US$29.6 million. This compares with US$50.1 million (restated) in the previous year. Segmental EBIT was US$1.2 million in FY09.

Office Automation

First quarter 2009 sales in the Office Automation segment was affected by the global economic turmoil but subsequent quarters' results were not similarly impacted. While this is our smallest segment, it is considered to be steady and profitable. Office Automation's EBIT for FY09 was US$1.7 million.

The Office Automation business produces parts for products such as office printers and photocopiers. As these standard office products are always required but not in large quantities, their replacement cycle is thus rather flat and long. Resultant revenue in this segment tends to be stable but small.

Continuing with cost containment measures, we established our own facilities in southern China in the second half of 2008 to produce Office Automation products. Pending full acceptance testing by our customers, our Wah Hang plant was reporting a marginal loss for the year.

Production Process Re-engineering

To best manage the current short-term order flow scenario and low capacity utilisation, CDW has introduced job rotation arrangements to maintain productivity levels and lower production costs per unit. This encompasses additional skills training for our workers. To develop a motivated workforce, CDW pays its workers monthly and for overtime. It also rewards good performance with incentives and bonuses.

Currency Risk Management

CDW continues to refine its currency risk strategy, and in particular its Dollar Yen currency exposure. In FY09, the exchange loss was about US$0.1 million, a substantial reduction from the US$2.0 million exchange loss incurred in the preceding year. In addition, there was a fair value adjustment of US$0.4 million in FY08 which was not repeated this year. We have employed forward contracts and options monthly to minimise our currency risk.

Statements of Financial Position

Our cash level increased by 20% over the year to US$37.4 million at year-end. This is to build up cash and cash equivalents to counteract any unforeseen negative effects. CDW is considering entering into a fixed income investment with sufficient collateral, so as to generate better returns.

Trade receivables were reduced in line with the drop in sales. There was no material change in trade receivable turnover. Inventories were reduced in line with decreased sales.

Under the category of property, plant and equipment, CDW invested in an automatic assembling machine to boost productivity. The machine is undergoing testing.

To capitalise on the current low interest rate environment while hedging against the recent volatility in global currency markets, the group has increased bank borrowings by 26.5%, entering fixed-rate loans with longer-term tenors of about 3 to 4 years. This has resulted in an increase in outstanding debt over the year, from US$12.4 million in FY08 to US$15.7 million in FY09.






Trade payables were reduced in line with a decline in sales. There was no material change in trade payable turnover and other balance sheet items.

In FY09, CDW purchased 1,971,000 shares at an average cost of 5.3 Singapore cents per ordinary shares (equivalent to 3.7 US cents per ordinary share) under the Shares Purchase Mandate. 1,151,000 shares were treated as cancelled and the issued capital was diminished by the nominal value of these cancelled shares accordingly. 820,000 shares were treated as treasury shares under CDW's Treasury Shares Account.

Cash Flow

Net cash from operating activities decreased from US$10.5 million at the start of the year to US$6.5 million at year-end. This was caused by weak demand, keen competition and price erosion.

During the year, US$0.77 million was received from the convertible loan investment held by CDW. This was classified as other receivables in the Statements of Financial Position.

The Group paid US$3 million to shareholders as dividends in FY09.

KEY FINANCIAL DATA

US$mn	*FY2009*	*FY2008*	*FY2007*	*FY2006*	*FY2005*
Total Assets	93.8	100.9	104.3	103.6	72.8
Total Liabilites	41.4	45.7	51.4	50.5	25.8
Current Assets	66.3	70.5	73.5	75.0	57.1
Current Liabilities	32.5	42.4	45.9	46.1	24.2
Shareholders' Equity	52.4	55.2	52.9	49.6	47.0
Revenue	107.3	154.6	167.3	156.6	106.2
Profit before tax	1.6	1.5	1.0	6.1	10.1
Profit after tax	0.3	0.1	0.1	5.4	8.9
EPS (US cents)	0.05	0.02	(0.06)	1.06	1.85
Dividend per share (US cents)	0.5*	0.8	0.2	0.6	0.8

* including the proposed final dividend for FY2009

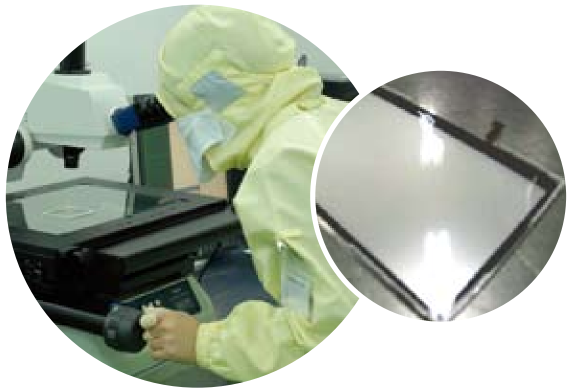
KEY OPERATIONAL INFORMATION / DATA

LCD BLU Operating subsidaries

(CD Shanghai, TM Dongguan, TM Japan & TM Hong Kong)

	FY2009	*FY2008*
Revenue (US$mn)	52.6	77.0
EBIT (US$mn)	1.5	2.7
Gross floor area (sqm)	19,731	22,389
Clean room area (sqm)	6,208	6,208
Number of staff	168	188
Number of workers	1,004	1,420
Production capacity (units/mth)	6,000,000	6,000,000

(Figures are based on December of each year)



LCD Parts and Accessories Operating subsidaries

(CD Suzhou, and TM Japan, TM Pudong, TM Dongguan & TM Hong Kong)

	FY2009	*FY2008*
Revenue (US$mn)	29.6	50.1
EBIT (US$mn)	1.2	1.2
Gross floor area (sqm)	25,504	25,504
Clean room area (sqm)	3,763	3,763
Number of staff	168	235
Number of workers	649	1,005

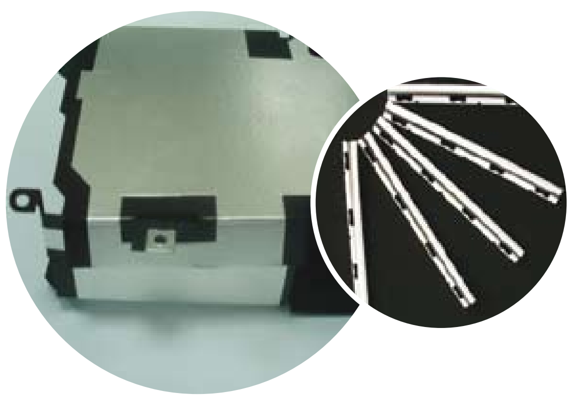
(Figures are based on December of each year)

Office Automation Operating subsidaries

(TM Japan, TM Shanghai, WH Dongguan)

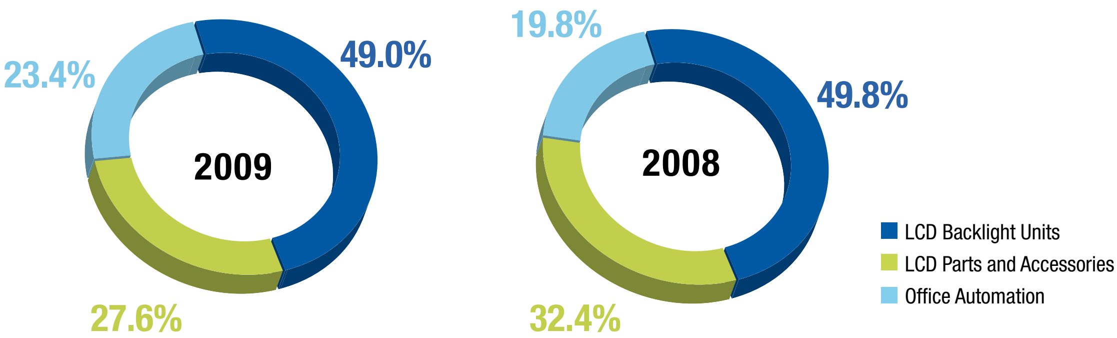
	FY2009	*FY2008*
Revenue (US$mn)	25.1	27.5
EBIT (US$mn)	1.7	1.5
Gross floor area (sqm)	8,454	9,360
Clean room area (sqm)	933	933
Number of staff	158	168
Number of workers	504	528

* WH Dongguan commenced operations in September 2008
(Figures are based on December of each year)



SEGMENTAL ANALYSIS

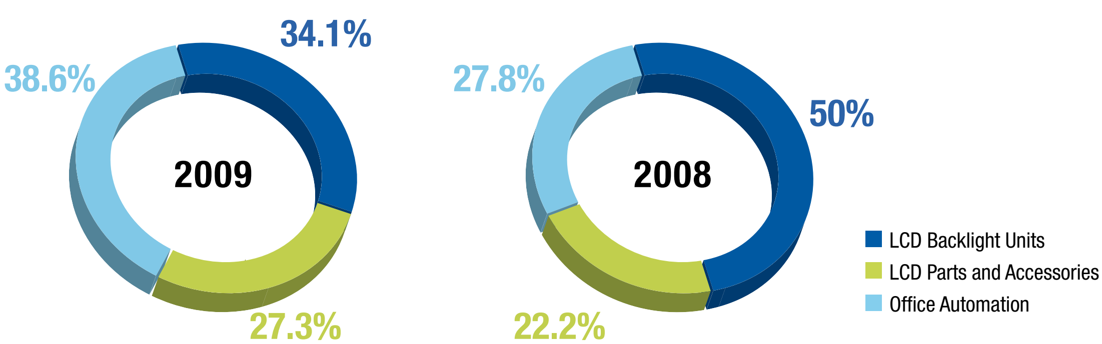
Revenue - by business segments



Revenue Growth

US$mn	*FY2009*	*FY2008*	*%Change*
LCD Backlight Units	52.6	77.0	(31.7)
LCD Parts and Accessories	29.6	50.1	(40.9)
Office Automation	25.1	27.5	(8.7)

EBIT - by business segments

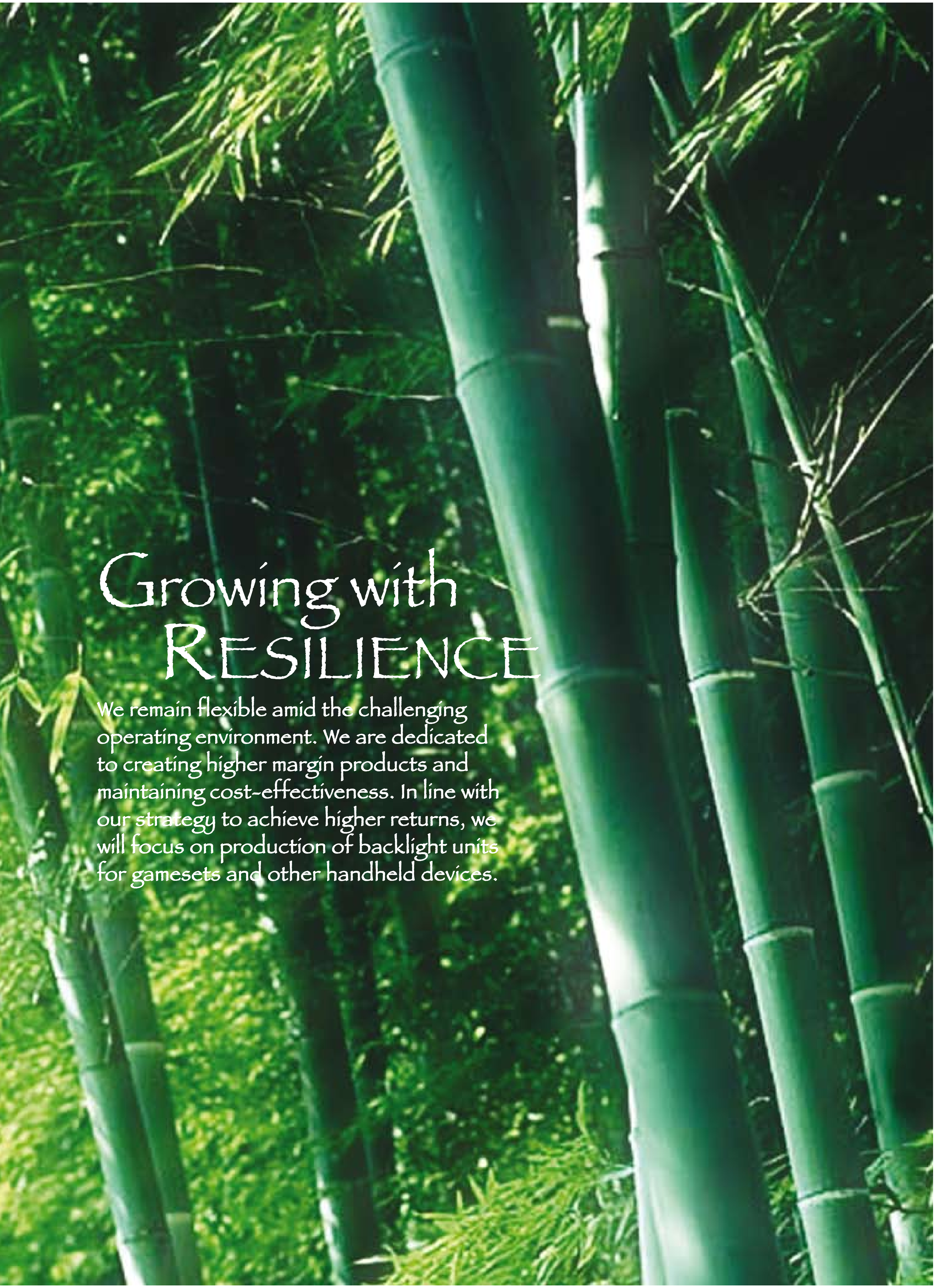


EBIT Growth

US$mn	*FY2009*	*FY2008*	*%Change*
LCD Backlight Units	1.5	2.7	(44.4)
LCD Parts and Accessories	1.2	1.2	-
Office Automation	1.7	1.5	13.3

Corporate Milestones

2009	The Group managed to consolidate the facilities which reduced the operating costs, substained utilisation and achieved cost efficiency.
2008	The Group expanded capacity for Offce Automation segment and WH Dongguan started production in September. This Dongguan factory aims to serve customers in Southern China.
2007	The Group completed the acquisition of TM Japan by issuing 18,405,221 new shares as consideration in September. As a result of the completion, TM Japan has become a wholly-owned subsidiary of the Group. CD Suzhou completed the relocation to new factory in accordance with further expansion of business in July.
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.
2005	TM Dongguan was established and commenced production of LCD backlight units for colour mobile phones and entertainment equipment in December. Shares of the Company were listed on the main board of the Singapore Stock Exchange in January.
2004	The Group set up a clean room in Hong Kong and started to produce LCD parts and accessories for LCD modules.
2003	The Group established TM Pudong to perform the processing functions of precision components for our LCD Parts and Accessories business.
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.
2001	CD Shanghai commenced production of LCD backlight units for colour mobile phones.
1996	The Group established TM Shanghai in Jiading, Shanghai, China to manufacture precision accessories for customers involved in the production of office equipment.
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.
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.



Growing with RESILIENCE

We remain flexible amid the challenging operating environment. We are dedicated to creating higher margin products and maintaining cost-effectiveness. In line with our strategy to achieve higher returns, we will focus on production of backlight units for gamesets and other handheld devices.

Board of Directors


YOSHIMI Kunikazu
Chairman and Chief Executive Officer


URANO Koichi
Executive Director and
Chief Operating Officer


KIYOTA Akihiro
Executive Director


LAI Shi Hong, Edward
Executive Director


DYMO Hua Cheung, Philip
Executive Director


HO Yew Mun
Independent Director


NG Wai Kee
Independent Director


WONG Chak Weng
Independent Director


WONG Yik Chung, John
Independent Director

YOSHIMI Kunikazu Mr Yoshimi founded the Group in the early 90's. He has over 29 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.

KIYOTA Akihiro Mr Kiyota is responsible for managing our Group's operations and planning our Group's marketing strategies in Japan in particular. He has over 24 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 promoted as the General Manager in August 2004. Mr Kiyota was appointed as the Executive Managing Director of TM Japan in August 2007.

DYMO Hua Cheung, Philip Mr Dymo is responsible for the overall management of our Group's financial and management reporting, budgeting, treasury, internal control, auditing functions and accounting and compliance processes. He joined our Group as Financial Controller and Head of Administration of our Group in 2003 and has extensive experience in the auditing and accounting profession. Mr 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.

NG Wai Kee Mr Ng is a professional accountant by training and a certified public accountant. He has more than 22 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 Yik Chung, John Mr Wong is a professional accountant by training with more than 21 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, Golden Resources Development International Limited and Beijing North Star Company 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.

URANO Koichi Mr Urano is in charge of the overall operations of the Group and is responsible for overall strategy, planning and development. He is also actively involved in the sales and marketing, and new product development functions of the Group. He has more than 15 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. Mr Urano was appointed as the Executive Director on 5 March 2007.

LAI Shi Hong, Edward Mr Lai is responsible for overseeing our finance, compliance and corporate development functions. He has more than 22 years of experience in finance, accounting and business management. 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.

HO Yew Mun 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 PEC Limited and of China Fribretech Limited. 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.

WONG Chak Weng Mr Wong is a practising lawyer with more than 29 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 SATA CommHealth, a large charity. He is currently an Independent Director of Old Chang Kee Ltd.

Management Team

CHAN Kam Wah
Head of Sales and Marketing
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 business. 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

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. He was appointed as the Managing Director of TM Dongguan in August 2009. 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

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 13 years of experience in sales and marketing in Japan. He is responsible for the corporate planning of our group, and also address the improvement of business performance of our group.

TAN San-Ju
Company Secretary

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.

SHINJO Kunihiko
Head of Finance
(Group Coordinator)

Mr Shinjo is in charge of coordinating financial activities across the Group and establishing relationships with financial institutions overseas. He has more than 23 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)

Mr Eguchi is in charge of 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 21 years of experience in project management in charge of numerous large-scale projects overseas. He has assumed senior management position for more than 14 years. Mr Eguchi was appointed as the general manager of TM Hong Kong in August 2007 and also aggressively involved for the strategic business improvement activities for the group.

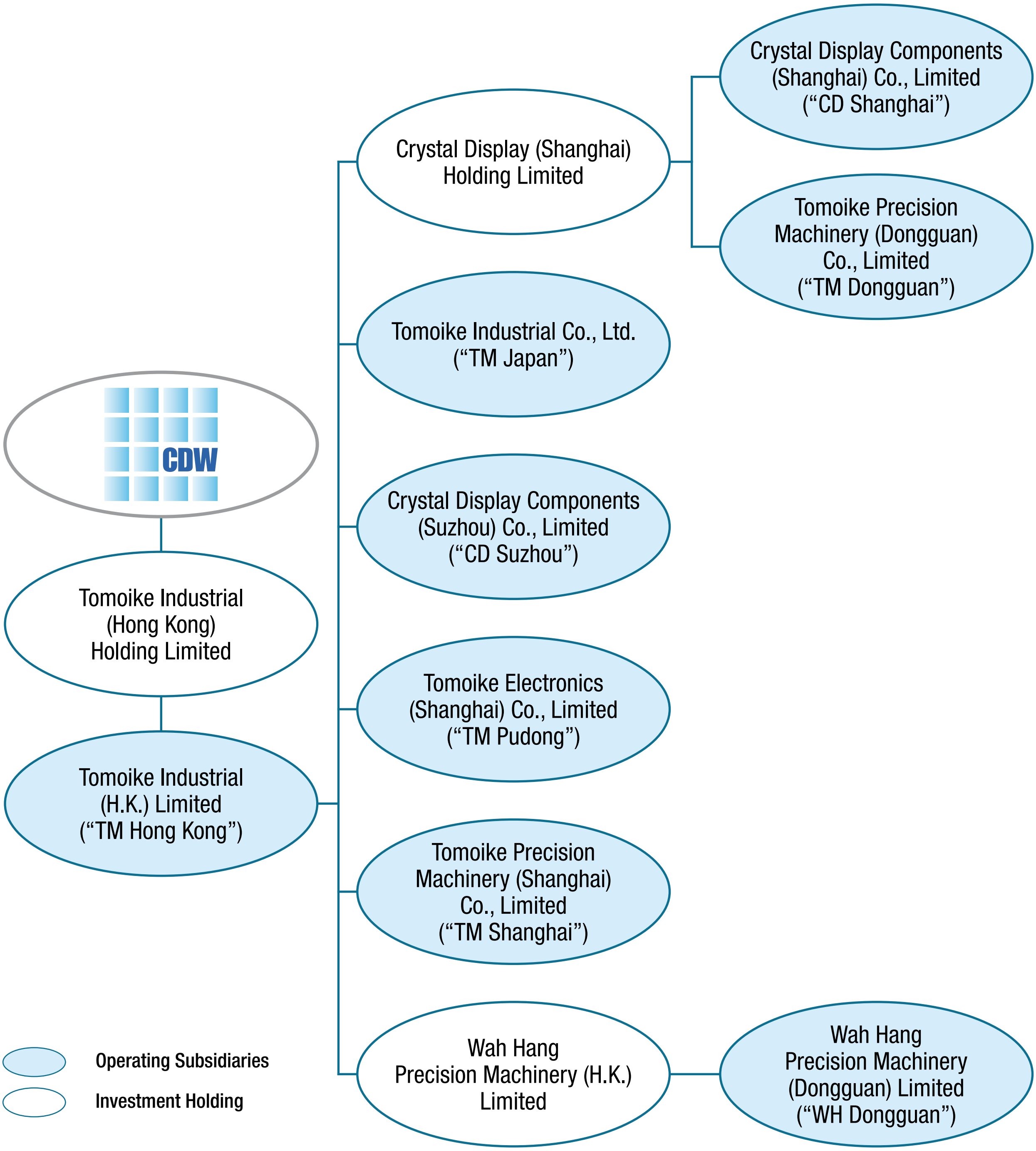
OCHI Shinichi
Head of Supply Chain Management

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 more than 15 years, he has made significant contribution to the Group's success, in particular to the cost management. He was the General Manager TM Pudong and TM Shainghai. In January 2009, he was appointed as a Director of TM Japan.

LEE Teck Leng, Robson
Legal Counsel

Mr Lee is a 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



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 Services (Bermuda) Limited
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.
50 Raffles Place, #32-01, Singapore Land Tower
Singapore 048623

Bermuda Share Registrar
Appleby Management (Bermuda) 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: TAN Hak Pheng, Patrick
Date of appointment: 28 April 2009

FINANCIAL CONTENTS

Corporate Governance Report

The Board of Directors of CDW Holding Limited (the “Board”) recognises 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 2009 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)
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 2009 are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Directors	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
YOSHIMI Kunikazu	4	2	–	–	–	–	–	–
URANO Koichi	4	4	–	–	–	–	–	–
KIYOTA Akihiro	4	4	–	–	–	–	–	–
LAI Shi Hong, Edward	4	4	–	–	1	0	–	–
DYMO Hua Cheung, Philip	4	4	–	–	–	–	–	–
HO Yew Mun	4	4	5	5	1	1	1	1
NG Wai Kee	4	4	5	5	1	1	1	1
WONG Chak Weng	4	4	5	5	1	1	1	1
WONG Yik Chung, John	4	4	5	5	1	1	1	1

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. A newly appointed director will be provided with a formal letter upon appointment, setting out the director's duties and obligations.

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 this annual report.

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

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

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

The Board is of the opinion that there are adequate safeguards and checks to ensure that the decision-making process by the Board is independent of any influence from any individual or small group of individuals 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. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

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, if any, the Directors' contracts of service, would entail in the event of early termination with a view to being fair and avoiding 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 2009 were 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	90%	10%	–	–
S$250,000 to S$499,999				
URANO Koichi	90%	7%	–	3%
KIYOTA Akihiro	96%	–	–	4%
DYMO Hua Cheung, Philip	94%	–	–	6%
Below S$250,000				
LAI Shi Hong, Edward	88%	–	–	12%
HO Yew Mun	–	–	100%	–
NG Wai Kee	–	–	100%	–
WONG Chak Weng	–	–	100%	–
WONG Yik Chung, John	–	–	100%	–

Remuneration of Key Executives Officers (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				
EGUCHI Yasunori	76%	20%	–	4%
LEE Haeng Jo	84%	12%	–	4%
OCHI Shinichi	93%	3%	–	4%
SHINJO Kunihiko	96%	–	–	4%
Below S$250,000				
CHAN Kam Wah	74%	21%	–	5%
SAKAI Akira	86%	8%	–	6%

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.

One of the employees whose remuneration exceeded S$150,000 but was less than S$250,000 during the year, is a relative of YOSHIMI Kunikazu, the Chairman and CEO of the Company. Save for the above, there were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeded S$150,000 during the year.

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 and was subsequently amended with approval by shareholders of the Company on 20 May 2008. 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 in 2008 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 in 2008.

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 2009 can be referred to page 83 of the Annual Report.

The AC established the whistle-blowing policy where staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters, and ensures 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 our investor relations consultant's network. The Company ensures that price-sensitive information is publicly released on a timely basis. The Company does not practise selective disclosure.

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

The Company's Bye-laws allows a shareholder of the Company to appoint two proxies to attend and vote at general meetings. The chairpersons of the Audit, Nominating and Remuneration Committees will be present and available to address questions at the AGM. The external auditors will also be present to assist the Directors in addressing any relevant questions from the shareholders

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 2009 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 54 to page 61 of the Annual Report.

Dealing in Securities

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

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

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 during the financial year under review 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.	20	–

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2009.

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)
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	
Name of directors and companies in which interests are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
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	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	At end of year
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 2010 were the same as those at 31 December 2009.

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 the Group's 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 22 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)

5 Share Options (cont'd)

(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 2009	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2009	Exercise price per share	Exercisable period
9 March 2007	1,464,000	–	–	–	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	–	–	–	20,496,000		

In respect of share options granted to employees of the Group, no options (2008 : 19,032,000) were cancelled and no new options (2008 : 19,032,000) were granted during the financial year, making it a total of 20,496,000 (2008 : 20,496,000) options granted to employees of the Group 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 of the Group has received 5% or more of the total options available under the 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	–	3,904,000	–	(1,952,000)	1,952,000
KIYOTA Akihiro	–	7,320,000	–	(5,368,000)	1,952,000
LAI Shi Hong, Edward	–	6,344,000	–	(4,880,000)	1,464,000
DYMO Hua Cheung, Philip	–	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 5 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 financial statements 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 function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche 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

29 March 2010

We have audited the accompanying financial statements of CDW Holding Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2009, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 36 to 86.

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: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with International Financial Reporting Standards 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 2009 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

TAN Hak Pheng, Patrick
Partner
Appointed on 28 April 2009

Singapore
29 March 2010

Statements of Financial Position

As at 31 December 2009

	Note	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
ASSETS					
Current assets					
Cash and bank balances	6	35,828	29,877	163	132
Pledged bank deposits	6	1,581	1,295	–	–
Trade and other receivables	7	20,404	28,730	750	1,455
Prepaid lease payments	8	9	9	–	–
Inventories	9	8,484	10,628	–	–
Total current assets		66,306	70,539	913	1,587
Non-current assets					
Goodwill	10	1,516	1,516	–	–
Investments	11	1,931	1,865	–	–
Other assets	12	518	881	–	–
Amount due from a subsidiary	13	–	–	18,046	17,927
Prepaid lease payments	8	453	462	–	–
Property, plant and equipment	14	23,028	25,619	–	–
Subsidiaries	15	–	–	10,735	10,624
Total non-current assets		27,446	30,343	28,781	28,551
Total assets		93,752	100,882	29,694	30,138
LIABILITIES AND EQUITY					
Current liabilities					
Current portion of bank and other borrowings	16	8,819	11,232	–	–
Trade and other payables	17	22,912	30,404	199	175
Current portion of finance leases	18	220	358	–	–
Derivative financial instruments	19	148	–	–	–
Income tax payable		374	480	–	–
Total current liabilities		32,473	42,474	199	175
Non-current liabilities					
Bank and other borrowings	16	6,874	1,170	–	–
Finance leases	18	325	543	–	–
Retirement benefit obligations	20	816	728	–	–
Deferred tax liabilities	21	895	778	–	–
Total non-current liabilities		8,910	3,219	–	–
Equity					
Share capital	23	10,087	10,110	10,087	10,110
Treasury shares	24	(33)	–	(33)	–
Reserves		42,315	45,079	19,441	19,853
Total equity		52,369	55,189	29,495	29,963
Total liabilities and equity		93,752	100,882	29,694	30,138

See accompanying notes to financial statements.

Consolidated Income Statement

Year ended 31 December 2009

	Note	Group 2009 US$'000	Group 2008 US$'000
Revenue	26	107,310	154,592
Cost of sales		(81,972)	(122,407)
Gross profit		25,338	32,185
Other income	28	622	1,253
Distribution costs		(2,075)	(4,094)
Administrative expenses		(22,037)	(27,383)
Finance costs	29	(290)	(498)
Profit before tax	30	1,558	1,463
Income tax expense	31	(1,297)	(1,342)
Profit for the year		261	121
Earnings per share (US cents)			
Basic	33	0.05	0.02
Diluted	33	0.05	0.02

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Note	Group 2009 US$'000	Group 2008 US$'000
Profit for the year		261	121
Other comprehensive income:			
(Deferred tax liability arising) reversal of deferred tax liability on revaluation of available-for-sale investments	21	(36)	36
Exchange differences on translation of foreign operations		(152)	4,487
Available-for-sale investments:			
Gains arising during the year	11	92	–
Reclassification to profit or loss from equity on disposal of available-for-sale investments	11	–	(54)
Other comprehensive income for the year, net of tax		(96)	4,469
Total comprehensive income for the year		165	4,590

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2009

	Share capital US$'000	Share premium of the Company US$'000	Treasury shares US$'000	Share option reserve US$'000	Note 25 Merger reserve US$'000	Note 25 Reserve Fund US$'000	Note 25 Enterprise Expansion Fund US$'000	Note 25 Other Reserves US$'000	Revaluation reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Total US$'000
Group												
Balance at 1 January 2008	10,128	19,022	–	213	(7,020)	4,108	303	1,163	18	4,717	20,283	52,935
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(18)	4,487	121	4,590
Transfer on cancellation of share options	–	–	–	(265)	–	–	–	–	–	–	265	–
Transfer	–	–	–	–	–	405	4	4	–	–	(413)	–
Cancellation of purchased shares under Shares Purchase Mandate	(18)	(13)	–	–	–	–	–	–	–	–	–	(31)
Recognition of share-based payments (Note 22)	–	–	–	227	–	–	–	–	–	–	–	227
Dividends paid (Note 32)	–	–	–	–	–	–	–	–	–	–	(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
Total comprehensive income for the year	–	–	–	–	–	–	–	–	56	(152)	261	165
Transfer	–	–	–	–	–	179	3	3	–	–	(185)	–
Cancellation of purchased shares under Shares Purchase Mandate	(23)	(15)	–	–	–	–	–	–	–	–	–	(38)
Shares purchased under Shares Purchase Mandate and held as treasury shares (Note 24)	–	–	(33)	–	–	–	–	–	–	–	–	(33)
Recognition of share-based payments (Note 22)	–	–	–	111	–	–	–	–	–	–	–	111
Dividends paid (Note 32)	–	–	–	–	–	–	–	–	–	–	(3,025)	(3,025)
Balance at 31 December 2009	10,087	18,994	(33)	286	(7,020)	4,692	310	1,170	56	9,052	14,775	52,369

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2009

	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Share option reserve US$'000	Retained earnings US$'000	Total US$'000
Company						
Balance at 1 January 2008	10,128	19,022	–	213	788	30,151
Total comprehensive income for the year	–	–	–	–	2,148	2,148
Transfer on cancellation of share options	–	–	–	(265)	265	–
Cancellation of purchased shares under Shares Purchase Mandate	(18)	(13)	–	–	–	(31)
Recognition of share-based payments (Note 22)	–	–	–	227	–	227
Dividends paid (Note 32)	–	–	–	–	(2,532)	(2,532)
Balance at 31 December 2008	10,110	19,009	–	175	669	29,963
Total comprehensive income for the year	–	–	–	–	2,517	2,517
Cancellation of purchased shares under Shares Purchase Mandate	(23)	(15)	–	–	–	(38)
Shares purchased under Shares Purchase Mandate and held as treasury shares (Note 24)	–	–	(33)	–	–	(33)
Recognition of share-based payments (Note 22)	–	–	–	111	–	111
Dividends paid (Note 32)	–	–	–	–	(3,025)	(3,025)
Balance at 31 December 2009	10,087	18,994	(33)	286	161	29,495

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Note	Group 2009 US$'000	Group 2008 US$'000
Operating activities			
Profit before tax		1,558	1,463
Adjustments for:			
Depreciation of property, plant and equipment		3,750	3,864
Amortisation of prepaid lease payments		11	11
Interest income		(222)	(244)
Interest expense		290	498
Loss on disposal of property, plant and equipment		167	143
Allowances for inventories		633	1,190
Share-based payment expense		111	227
Retirement benefit obligations		160	251
Impairment loss on available-for-sale investments		18	391
Loss on disposal of other assets		3	–
Changes in fair value of derivative financial instruments		148	–
Operating cash flows before movements in working capital		6,627	7,794
Trade and other receivables		7,393	1,391
Inventories		1,511	1,799
Trade and other payables		(7,494)	1,761
Cash generated from operations		8,037	12,745
Net income taxes paid		(1,146)	(1,439)
Retirement benefit obligations paid		(56)	(325)
Interest paid		(290)	(498)
Net cash from operating activities		6,545	10,483
Investing activities			
Proceeds from repayment of loan receivable	7	774	129
Proceeds on disposal of property, plant and equipment		363	359
Proceeds on disposal of other assets		4	–
Purchase of property, plant and equipment (Note A)		(1,798)	(2,368)
Decrease (Increase) in other assets		342	(29)
Additional investment in available-for-sale investments		(15)	(15)
Interest income received		222	244
Net cash used in investing activities		(108)	(1,680)
Financing activities			
Payment of share buyback		(71)	(31)
(Increase) Decrease in pledged bank deposits		(286)	317
Proceeds from bank and other borrowings		143,183	215,335
Repayment of bank and other borrowings		(139,524)	(224,671)
Repayment of obligation under finance leases		(356)	(559)
Dividends paid		(3,025)	(2,532)
Net cash used in financing activities		(79)	(12,141)
Net increase (decrease) in cash and cash equivalents		6,358	(3,338)
Cash and cash equivalents at beginning of year	6	29,877	29,509
Net effect of currency translation differences		(407)	3,706
Cash and cash equivalents at end of year	6	35,828	29,877

Note A

The Group acquired property, plant and equipment with aggregate cost of approximately US$1,813,000 (2008 : US$2,956,000) of which US$15,000 (2008 : US$588,000) was acquired by means of finance leases. Cash payments of approximately US$1,798,000 (2008 : US$2,368,000) were made to purchase property, plant and equipment.

See accompanying notes to financial statements.

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 statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 29 March 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised International Accounting Standards ("IAS") and IFRS issued by the International Accounting Standards Board and the Interpretations thereof issued by the International Financial Reporting Interpretations Committee ("IFRIC") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. 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 except as disclosed below.

IAS 1 (as revised in 2007) – Presentation of Financial Statements (Revised)

IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

Amendments to IFRS 7 Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

IFRS 8 – Operating Segments

The Group adopted IFRS 8 with effect from 1 January 2009. 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, the predecessor Standard (IAS 14 *Segment Reporting*) required 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. IFRS 8 intends to provide information for evaluating the nature and financial effects of the business activities in which each segment engages and the economic environments in which it operates. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed (Note 27).

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

The comparatives have been restated to conform to the requirements of IFRS 8.

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

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives – Amendments relating to Embedded Derivatives
- IAS 27 (Revised) Consolidated and Separate Financial Statements; and IFRS 3 (Revised) Business Combinations.
- Improvements to International Financial Reporting Standards (issued in April 2009)
- IFRS 9 Financial Instruments

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

Management anticipates that the adoption of the above Standards, Interpretations and amendments to Standards 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 as described below.

IAS 27 (Revised) Consolidated and Separate Financial Statements; and IFRS 3 (Revised) Business Combinations

IAS 27 (Revised) is effective for annual periods beginning on or after 1 July 2009. IFRS 3 (Revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

Apart from matters of presentation, the principal amendments to IAS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the detail of the transactions, which cannot be anticipated. The changes will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Similarly, IFRS 3 is concerned with accounting for business combination transactions. The changes to the Standard are significant, but their impact can only be determined once the detail of future business combination transactions is known. The amendments to IFRS 3 will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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 of during the year are included in the consolidated income 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.

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

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

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 profit or loss.

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 profit or loss.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position 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, or where appropriate, a shorter period. Income and expense 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 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 in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

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

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

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

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.

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 19 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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.

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

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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

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

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets less estimated residual value 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 profit or loss.

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

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 the end of each reporting period, 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 for which the estimates of future cash flows have not been adjusted.

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 profit or loss.

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 profit or loss.

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 end of the reporting period, 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.

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

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 22. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. 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.

BORROWING COSTS - All borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans 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 profit or loss 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.

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

The subsidiary in Japan also maintains an unfunded defined benefit plan for its directors.

The retirement benefit obligation recognised in the statement of financial position 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 end of the reporting period.

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 income 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 end of the reporting period.

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 other 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 the end of each reporting period 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 end of the reporting period.

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 outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), 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 statement of financial position 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.

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 at the end of the reporting period. 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 recognised in other comprehensive income and accumulated in a separate component of equity (currency translation reserve). On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

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

Allowance for inventories

In determining the net realisable value of the Group's inventories, management estimated the recoverable amount of inventories based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations in price, the balance on hand relative to sales prospects and the condition of the inventories. The allowances for inventories as at 31 December 2009 amounted to US$633,000 (2008 : US$1,190,000). The carrying amount of inventories is disclosed in Note 9.

Impairment of goodwill and investments in subsidiaries

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. The carrying amount of goodwill at the end of the reporting period was US$1,516,000 (2008 : US$1,516,000) with no impairment loss recognised during the financial year. Information relating to the estimates used in assessing the carrying amount of goodwill is set out in Note 10.

Where there are indicators of potential impairment of investment in subsidiaries, management projects the cash flows of these subsidiaries and estimates the recoverable amount by discounting the projected cash flows and terminal value to present value. Any change in such projections and estimates can result in changes to the allowance for impairment loss in future periods. The carrying amount of the investments in subsidiaries of the Company is disclosed in Note 15 with no impairment loss recognised for 2009 and 2008.

Impairment of property, plant and equipment

The Group assesses impairment on the above mentioned assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such assessment requires management's judgements in forecasting industry trends, general market, economic conditions and other available information. The carrying amount of the property, plant and equipment is disclosed in Note 14 with no impairment loss recognised for 2009 and 2008.

Recoverability of loan receivable

The Company did not exercise the conversion option, to convert the loan into equity in a privately held company ("Borrower") granted under the loan agreement entered into in 2007 with the Borrower and the investment has been classified as a loan receivable as at 31 December 2008 and 2009. As at 31 December 2009, the Borrower repaid a cumulative amount of US$903,000 (2008 : US$129,000) and agreed with the Company to fully repay the loan by 30 June 2010 in quarterly instalments. The owners of the Borrower have provided a personal guarantee to the Company to secure the repayment of the loan.

Taking into consideration the quarterly instalment payments received and management's evaluation of the information relating to the owners of the Borrower, management is of the view that the loan is recoverable. The carrying amount of the loan receivable is disclosed in Note 7.

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 end of the reporting period:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Financial assets				
Held-to-maturity investment	976	979	–	–
Loan and receivables(including cash and cash equivalents)	56,982	58,417	18,933	19,495
Available-for-sale investments	955	886	–	–
Financial liabilities				
Fair value through profit or loss - derivative financial instruments	148	–	–	–
Amortised cost	39,911	44,169	199	175

(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.

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

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

i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including Chinese Renminbi ("RMB"), Hong Kong ("HK") 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 group entities' functional currencies at the end of the reporting period are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Yen	1,569	4,389	4,471	6,102	–	–	–	–
US Dollars	17,222	14,831	15,479	20,342	–	–	–	–
HK Dollars	–	–	724	1,436	–	–	724	1,436

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

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

i) Foreign exchange risk management (cont'd)

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

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

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

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

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Yen impact	290	171	–	–
US Dollars impact	(174)	551	–	–
HK Dollars impact	72	144	72	144

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

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Yen impact	(290)	(171)	–	–
US Dollars impact	174	(551)	–	–
HK Dollars impact	(72)	(144)	(72)	(144)

This is mainly attributed to the exposure outstanding on cash and bank balances, receivables and payables at the end of the reporting period.

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

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

ii) Interest rate risk management

Certain of the Group's bank balances and fixed deposits are at variable rate and certain borrowings (Note 16) are arranged at variable interest rate pegged to the prevailing prime rate in Hong Kong and Japan. The Group is 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 instruments at the end of the reporting period 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's assessment of the reasonably 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 2009 would increase/decrease by US$130,000 (2008 : increase/decrease by US$103,000). This is mainly attributed to the Group's exposure to interest rates on its variable rate borrowings.

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

iii) Equity price risk management

The Group is exposed to price risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purpose. The Group does not actively trade available-for-sale investments.

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 end of the reporting period.

In respect of quoted available-for-sale equity investments, if equity prices are 10% higher/lower:

- the Group's profit for the years ended 31 December 2009 and 2008 would have been unaffected as the equity investments are classified as available-for-sale; and

- the Group's revaluation reserve would increase/decrease by US$22,000 (2008 : increase/decrease by US$11,000).

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 management

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.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

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 71% (2008 : 73%) of the total receivables as at the end of the reporting period. Management considers the credit risk to be low as these customers are large reputable corporations with 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 the end of the reporting period and has determined that there is no doubtful amount for which allowance is necessary.

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

v) Liquidity risk management

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

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 the Company can be required to pay. The table includes 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 in the statement of financial position.

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

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

v) Liquidity risk management (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment to derive amortised cost	Total amortised cost
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
2009						
Non-interest bearing	–	22,857	816	–	–	23,673
Finance lease liability (fixed rate)	2.44	232	347	–	(34)	545
Variable interest rate instruments	1.04	7,448	4,041	–	(116)	11,373
Fixed interest rate instruments	0.91	1,092	3,268	–	(40)	4,320
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
Company						
2009						
Non-interest bearing	–	199	–	–	–	199
2008						
Non-interest bearing	–	175	–	–	–	175

Non-derivative financial assets

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

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

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

v) Liquidity risk management (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment to derive amortised cost	Total amortised cost
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
2009						
Non-interest bearing	–	18,443	1,599	–	–	20,042
Variable interest rate instruments	0.26	37,506	–	–	(97)	37,409
Fixed interest rate instruments	4.17	763	761	–	(62)	1,462
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
Company						
2009						
Non-interest bearing	–	163	–	–	–	163
Variable interest rate instrument	0.40	763	18,082	–	(75)	18,770
2008						
Variable interest rate instrument	0.01	133	–	–	(1)	132
Fixed interest rate instrument	0.90	1,522	18,017	–	(176)	19,363

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.

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

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

vi) Fair values of financial assets and financial liabilities (cont'd)

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;

- 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 using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair value of derivative instruments are calculated using quoted prices.

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

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments measured at fair value

	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Group				
Financial Assets				
2009				
Available-for-sale investments:				
- Quoted equity securities	217	217	–	–
- Unquoted debt securities	738	–	738	–
Total	955	217	738	–
Financial Liabilities				
2009				
Derivative financial instruments	148	–	148	–

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

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

vi) Fair values of financial assets and financial liabilities (cont'd)

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

Company

The Company has no financial assets or liabilities carried at fair value as at 31 December 2009.

(c) Capital risk management policies and objectives

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity, comprising share capital, reserves and retained earnings as disclosed in the Statements of changes in equity.

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

The Group's overall strategy remains unchanged from 2008.

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 is reflected in these financial statements. The balances 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	
	2009	2008
	US$'000	US$'000
Support and marketing services received	20	110

5. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

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

	Group	
	2009 US$'000	2008 US$'000
Short-term benefits	2,626	2,090
Share-based payments	94	170
	2,720	2,260

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	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Cash at bank	31,363	21,878	163	132
Fixed deposits	5,957	9,204	–	–
Cash on hand	89	90	–	–
	37,409	31,172	163	132
Less: Pledged bank deposits	(1,581)	(1,295)	–	–
Cash and cash equivalents in the statement of cash flows	35,828	29,877	163	132

Cash and bank balances comprise cash held by the Group and the 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$1,581,000 (2008 : US$1,295,000) were placed as security for banking facilities (2008 : bank borrowings in Notes 16 (a) and 16 (c)). These deposits are classified as current assets as the corresponding banking facilities (2008 : bank borrowings) were granted within one year (2008 : repayable within one year).

Fixed deposits earn an average interest rate of 0.51% (2008 : 1.82%) per annum and the tenure generally ranged from 30 days to 90 days for Yen deposits (2008 : 30 days to 90 days) and 30 days for HK dollar deposits (2008 : 30 days).

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

	Group	
	2009 US$'000	2008 US$'000
US Dollars	6,790	6,744
Yen	4,092	5,449

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Trade receivables	18,162	24,935	–	–
Other receivables	280	410	–	–
Loan receivable	724	1,436	724	1,436
Tax recoverable	7	167	–	–
Deposits	407	464	–	–
Prepayments	767	1,304	26	19
Value-added tax recoverable	57	14	–	–
	20,404	28,730	750	1,455

The average credit period on sale of goods is 60 days (2008 : 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$1,336,000 (2008 : US$1,875,000) which are past due at the end of the reporting period 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$724,000 (2008 : US$1,436,000) arises from the investment in a convertible loan to the Borrower with effective interest rate of 5.37% (2008 : 6%) per annum.

The Borrower has repaid a cumulative amount of US$903,000 (2008 : US$129,000) as at the end of the reporting period and has agreed with the Company for a revised repayment schedule to fully repay the loan by 30 June 2010 in quarterly instalments. The owners of the Borrower have provided a personal guarantee to the Company to secure the repayment of the loan receivable.

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

	Group	
	2009 US$'000	2008 US$'000
Less than 30 days overdue	1,015	1,372
30 to 60 days overdue	125	422
Over 60 days overdue	196	81
	1,336	1,875

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

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
US Dollars	8,689	13,598	–	–
Yen	379	653	–	–
HK Dollars	724	1,436	724	1,436

8. PREPAID LEASE PAYMENTS

The prepaid lease payments comprise:

	Group	
	2009 US$'000	2008 US$'000
Leasehold land in the PRC:		
Long-term lease	462	471
Analysed for reporting purposes as		
Current portion	9	9
Non-current portion	453	462
	462	471

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

9. INVENTORIES

	Group	
	2009 US$'000	2008 US$'000
Raw materials	3,644	3,864
Work-in-progress	1,183	1,664
Finished goods	3,657	5,100
	8,484	10,628

The above amounts represent cost less allowance for impairment in recoverable amount of inventories. Allowances for inventories (Note 30) are made for the full amount of inventories with poor sales prospects.

10. GOODWILL

	Group	
	2009	2008
	US$'000	US$'000
Cost/Carrying amount:		
Balance at beginning and 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 ("TM Japan") (the 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 nil growth rate for the second year and growth rate of 1% for the third to fifth years. 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% (2008 : 9%) per annum.

11. INVESTMENTS

	Group 2009 US$'000	Group 2008 US$'000
Available-for-sale investments:		
Quoted equity securities, at fair value (Note A)	217	111
Unquoted debt securities, at fair value (Note C)	738	775
	955	886
Held-to-maturity investment (Note D)	976	979
Total	1,931	1,865

Notes:

(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.

In current financial year, the changes in fair value of the quoted available-for-sale equity investment of US$92,000 were recognised in other comprehensive income.

In 2008, an impairment loss on quoted available-for-sale equity investment of US$142,000 derived as below was charged to profit or loss.

	2008 US$'000
Changes in fair value adjustments, recognised through profit or loss	196
Cumulative fair value gains previously recognised in other comprehensive income, now recognised through profit or loss	(54)
Impairment loss charged through profit or loss	142

(B) 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.

(C) The unquoted debt securities of US$738,000 (2008 : US$775,000) have effective interest rates of 2% (2008 : 2%) per annum and will mature in October 2035.

Impairment loss on unquoted available-for-sale debt securities charged to profit or loss amounted to US$18,000 (2008 : US$249,000).

The fair value of this investment is estimated by reference to current valuations provided by the issuing bank.

11. INVESTMENTS (cont'd)

(D) As at 31 December 2009 and 2008, the held-to-maturity investment comprises investment of funds in a leveraged lease arrangement entered into by the subsidiary, 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 management, the carrying amount of the unquoted investment approximates its fair value as it is based on the estimated recoverable amount.

12. OTHER ASSETS

	Group	
	2009 US$'000	2008 US$'000
Directors' insurance	59	214
Rental deposit	459	660
Golf club membership	–	7
	518	881

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 (Note 15) is non-trade in nature, unsecured and earns interest at 0.2% (2008 : 0.5%) per annum. The amount is not expected to be repaid within the next 12 months.

Management is of the opinion that the fair value of the amount due from the subsidiary approximates the carrying amount.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Leasehold improve-ments US$'000	Motor vehicles US$'000	Total US$'000
Group						
Cost:						
At 1 January 2008	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)
Exchange 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
Additions	22	1,441	214	38	98	1,813
Disposal	(290)	(486)	(70)	(169)	(145)	(1,160)
Exchange differences	(65)	(329)	53	169	–	(172)
At 31 December 2009	11,255	16,729	6,092	8,779	937	43,792
Accumulated depreciation:						
At 1 January 2008	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)
Exchange differences	62	559	237	358	32	1,248
At 31 December 2008	924	7,913	3,351	4,878	626	17,692
Depreciation	465	1,646	836	669	134	3,750
Eliminated on disposals	(96)	(332)	(36)	(34)	(133)	(631)
Exchange differences	(3)	(26)	(12)	(6)	–	(47)
At 31 December 2009	1,290	9,201	4,139	5,507	627	20,764
Carrying amount:						
At 31 December 2009	9,965	7,528	1,953	3,272	310	23,028
At 31 December 2008	10,664	8,190	2,544	3,863	358	25,619

The carrying amount of the Group's property, plant and equipment includes an amount of US$1,223,000 (2008 : US$1,587,000) in respect of assets held under finance leases (Note 18).

As at 31 December 2008, the Group had pledged leasehold land and building with approximately carrying amount of US$2,875,000 to secure bank loans [Note 16(b)] granted to the Group.

15. SUBSIDIARIES

	Company 2009 US$'000	Company 2008 US$'000
Unquoted equity shares, at cost	9,642	9,642
Recognition of share-based payments	1,093	982
	10,735	10,624

Deemed additional investment of US$111,000 (2008 : US$227,000) in subsidiaries relates to options to subscribe 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 its 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 2009 %	2008 %	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 [(3)] ("TM Hong Kong")	Hong Kong Special Administrative Region ("Hong Kong")	100	100	Manufacturing and trading of parts and precision accessories for office equipment, electrical appliances and LCD module and manufacturing of LCD backlight units for LCD module
Held by TM Hong Kong				
Crystal Display Components (Suzhou) Co., Limited [(3)] ("CD Suzhou")	Suzhou, PRC	100	100	Manufacturing and trading of parts and precision accessories for LCD module
Tomoike Electronics (Shanghai) Co., Limited [(3)] ("TM Pudong")	Shanghai, PRC	100	100	Manufacturing and trading of parts and precision accessories for LCD module
Tomoike Precision Machinery (Shanghai) Co., Limited [(3)] ("TM Shanghai")	Shanghai, PRC	100	100	Manufacturing and trading of parts and precision accessories for office equipment and electrical appliances
Tomoike Industrial Co., Limited[(3)] ("TM Japan")	Japan	100	100	Manufacturing of LCD backlight units for LCD module. Manfacturing and trading of parts and precision accessories for office equipment, electrical appliances and LCD module

15. SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2009	2008	
		%	%	
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
Held by CD Shanghai BVI				
Crystal Display Components (Shanghai) Co., Limited [3] ("CD Shanghai")	Shanghai, PRC	100	100	Manufacturing of LCD backlight units for LCD module
Tomoike Precision Machinery (Dongguan) Co., Limited [2] ("TM Dongguan")	Dongguan, PRC	100	100	Manufacturing and trading of parts and precision accessories for LCD module and manufacturing of LCD backlight units for LCD module
Held by Wah Hang Hong Kong				
Wah Hang Precision Machinery (Dongguan) Limited [2] ("WH Dongguan")	Dongguan, PRC	100	100	Manufacturing and trading of parts and 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 overseas practices of Deloitte Touche Tohmatsu.

16. BANK AND OTHER BORROWINGS

	Group 2009 US$'000	Group 2008 US$'000
Bank loans - unsecured	12,452	9,344
Bank loans - secured	–	1,287
Corporate bonds - unsecured	3,241	1,771
Total	15,693	12,402
The bank borrowings are repayable as follows:		
Within one year	8,452	9,461
In the second year to fifth years	4,000	1,170
	12,452	10,631
The corporate bonds are repayable as follows:		
Within one year	367	1,771
In the second year	2,874	–
	3,241	1,771
Total bank and other borrowings	15,693	12,402
Less: Amount due for settlement within 12 months (shown under current liabilities)	(8,819)	(11,232)
Amount due for settlement after 12 months (shown under non-current liabilities)	6,874	1,170

As at 31 December 2009, the Group has no secured bank loans.

The details of the Group's secured bank loans as at 31 December 2008 were as follows:

a) A bank loan of approximately US$1,000,000 denominated in US Dollars was secured by fixed deposits of the Group amounting to US$1,002,000 (Note 6) with interest at 3.65%.

b) Bank loans denominated in Yen amounting to US$56,000 were secured by leasehold land and building of the Group amounting to US$2,875,000 (Note 14) with interest at 1.87%.

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

As at 31 December 2009, the corporate bonds relate to fixed rate corporate bonds issued by TM Japan in 2009. The original amounts of the fixed rate corporate bonds were as follows:

		Annual interest	Repayable terms
(1)	JPY 100,000,000	0.84%	Lump sum payment in September 2012
(2)	JPY 100,000,000	0.79%	By semi-annual instalments until October 2012
(3)	JPY 100,000,000	0.92%	Lump sum payment in September 2012

16. BANK AND OTHER BORROWINGS (cont'd)

As at 31 December 2008, the corporate bonds relate to fixed rate corporate bonds issued by TM Japan in 2004. The original amounts of the fixed rate corporate bonds 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

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 1.05% (2008 : 2.87%) per annum.

Management considers 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	
	2009	2008
	US$'000	US$'000
US Dollars	10,172	5,411
Yen	1,199	3,874

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Trade creditors	19,294	25,597	–	–
Accruals	1,626	1,944	–	–
Other payables	1,992	2,863	199	175
	22,912	30,404	199	175

The average credit period on purchases of goods is 60 days (2008 : 60 days).

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

17. TRADE AND OTHER PAYABLES (cont'd)

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	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
US Dollars	7,050	9,420	–	–
Yen	370	515	–	–

18. FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Amounts payable under finance leases:				
Within one year	232	383	220	358
In the second to fifth year inclusive	347	588	325	543
	579	971	545	901
Less: Future finance charges	(34)	(70)	N/A	N/A
Present value of lease obligations	545	901	545	901
Less: Amount due for settlement within 12 months (shown under current liabilities)			(220)	(358)
Amount due for settlement after 12 months (shown under non-current liabilities)			325	543

The effective borrowing rates ranged from 1.50% to 6.55% (2008 : 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 US dollars, Yen and RMB, 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. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2009 US$'000	2008 US$'000
Liabilities (Current)		
Foreign currency options (Note A)	90	–
Forward foreign exchange contracts (Note B)	58	–
	148	–

Notes:

(A) Foreign currency options

The Group entered into foreign currency options contracts with banks to manage its foreign exchange exposures. Under the options contracts, the Group has the option to buy Yen with US dollars at a fixed rate and similarly, the banks have the option to buy US dollars using Yen at the same rate. The foreign currency options have maturity date from January 2010 to June 2010.

At the end of the reporting period, the total notional amount of outstanding foreign currency options to which the Group was committed were as follows:

	Group	
	2009 US$'000	2008 US$'000
Foreign currency options	3,888	–

The net of the fair value change of the above outstanding options amounting to US$90,000 have been charged as an expense in profit or loss.

(B) Forward foreign exchange contracts

The Group utilises forward foreign exchange contracts to sell US dollars to manage its foreign exchange exposures against Yen. The forward foreign exchange contracts have maturity date from January 2010 to June 2010.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group was committed were as follows:

	Group	
	2009 US$'000	2008 US$'000
Forward foreign exchange contracts	2,310	–

Changes in fair value of the above outstanding contracts amounting to US$58,000 have been charged as an expense in profit or loss.

20. RETIREMENT BENEFIT OBLIGATIONS

TM Japan maintains a defined benefit plan for its directors. The expense for the year amounted to approximately US$160,000 (2008 : US$251,000).

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 TM Japan are subject to approval of TM Japan's shareholder in accordance with the Corporate Law in Japan.

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

21. 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	Temporary difference relating to held-to-maturity investment	Directors' insurance	Retirement benefit obligations	Withholding tax on undistributed earnings of subsidiaries	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group							
At 1 January 2008	(158)	(772)	(45)	254	–	95	(626)
Exchange differences	(50)	(190)	(14)	63	–	44	(147)
Credit to other comprehensive income for the year	–	–	–	–	–	36	36
(Charge) Credit to profit or loss for the year (Note 31)	(54)	84	(13)	(26)	(124)	92	(41)
At 31 December 2008	(262)	(878)	(72)	291	(124)	267	(778)
Exchange difference	6	21	2	(7)	–	(8)	14
Charge to other comprehensive income for the year	–	–	–	–	–	(36)	(36)
(Charge) Credit to profit or loss for the year (Note 31)	(10)	22	58	42	(193)	(14)	(95)
At 31 December 2009	(266)	(835)	(12)	326	(317)	209	(895)

22. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme, CDW Holding Share Option Scheme (the "Scheme") for all employees of the Group. 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	Grant date	Expiry date	Exercise price	Fair value at grant date
Issued on 9 March 2007*	20,496,000	9 March 2007	8 March 2012	S$0.130	US$0.01
Issued on 11 June 2008	19,032,000	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 2009	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2009	Exercise price per share	Exercisable period
9 March 2007	1,464,000	–	–	–	1,464,000	S$0.130	9 March 2008 to 8 March 2012
11 June 2008	19,032,000	–	–	–	19,032,000	S$0.070	11 June 2009 to 10 June 2013
	20,496,000	–	–	–	20,496,000		

* 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 authorised and appointed by the Company's board of directors to administer 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 the share option holders and 19,032,000 unexercised share options granted were cancelled prior to 30 June 2008 leaving 1,464,000 unexercised share options outstanding as at 31 December 2009 and 2008.

The number of share options exercisable at the end of the year amounted to 20,496,000 (2008 : 1,464,000).

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 3.4 years (2008 : 4.4 years).

22. SHARE-BASED PAYMENTS (cont'd)

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

	Grant date 2008	Grant date 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. 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$111,000 (2008 : US$227,000) related to equity-settled share-based payment during the year.

23. SHARE CAPITAL

	Group and Company			
	2009	2008	2009	2008
	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	505,505,221	506,405,221	10,110	10,128
Cancellation of purchased shares under Shares Purchase Mandate	(1,151,000)	(900,000)	(23)	(18)
At the end of the year	504,354,221	505,505,221	10,087	10,110

The above number of ordinary shares includes 820,000 (2008 : Nil) shares which had been purchased on the Singapore Exchange during the year under the Shares Purchase Mandate (Note 24) and were treated as treasury shares.

24. TREASURY SHARES

During the year, the Company acquired 820,000 of its own shares through purchases on the Singapore Exchange during the year under the Shares Purchase Mandate. The total amount paid to acquire the shares was US$33,000 and has been deducted from shareholders' equity. These shares are held as treasury shares, which have no rights to dividends.

25. MERGER RESERVE, RESERVE FUND, ENTERPRISE EXPANSION RESERVE AND OTHER RESERVES

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.

26. REVENUE

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

27. SEGMENT INFORMATION

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's income 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.

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.

27. SEGMENT INFORMATION (cont'd)

Products and services from which reportable segments derive their revenues

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied provided by the Group's operating divisions (i.e. parts trading, LCD backlight units, precision accessories and LCD frames). However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the customer profile. The Group's reportable segments under IFRS 8 are therefore as follows:

i) LCD backlight units - Manufacturing of LCD backlight units for LCD module

ii) Office automation - Manufacturing and trading of parts and precision accessories for office equipment and electrical appliances

iii) LCD parts and accessories - Manufacturing and trading of parts and precision accessories for LCD module

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Segment revenue and results

	LCD backlight units US$'000	Office automation US$'000	LCD parts and accessories US$'000	Eliminations US$'000	Total US$'000
2009					
REVENUE					
External sales	52,633	25,080	29,597	–	107,310
Inter-segment sales	224	3,605	3,882	(7,711)	–
Total revenue	52,857	28,685	33,479	(7,711)	107,310
RESULTS					
Segment results	1,473	1,695	1,213	–	4,381
Unallocated corporate expenses					(2,755)
Operating profit					1,626
Finance costs					(290)
Interest income					222
Profit before tax					1,558
Income tax expense					(1,297)
Profit for the year					261

27. SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	LCD backlight units US$'000	Office automation US$'000	LCD parts and accessories US$'000	Eliminations US$'000	Total US$'000
2008 (Restated)					
REVENUE					
External sales	77,021	27,468	50,103	–	154,592
Inter-segment sales	1,367	1,729	2,722	(5,818)	–
Total revenue	78,388	29,197	52,825	(5,818)	154,592
RESULTS					
Segment result	2,713	1,479	1,194	–	5,386
Unallocated corporate expenses					(3,669)
Operating profit					1,717
Finance costs					(498)
Interest income					244
Profit before tax					1,463
Income tax expense					(1,342)
Profit for the year					121

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of corporate expenses, finance costs, interest income and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

27. SEGMENT INFORMATION (cont'd)

Segment assets, liabilities and other information

	LCD backlight units US$'000	Office automation US$'000	LCD parts and accessories US$'000	Eliminations US$'000	Total US$'000
2009					
ASSETS					
Segment assets	32,619	17,329	41,442	(2,523)	88,867
Unallocated assets					4,885
Consolidated total assets					93,752
LIABILITIES					
Segment liabilities	10,745	6,965	7,690	(2,523)	22,877
Bank and other borrowings and finance leases					16,238
Unallocated liabilities					2,268
Consolidated total liabilities					41,383
OTHER INFORMATION					
Capital expenditure	1,106	169	538	–	1,813
Depreciation of property, plant and equipment	1,092	497	2,161	–	3,750
Allowance for inventories	95	53	485	–	633
Amortisation of prepaid lease payments	–	–	11	–	11
2008 (Restated)					
ASSETS					
Segment assets	35,729	13,868	46,233	(963)	94,867
Unallocated assets					6,015
Consolidated total assets					100,882
LIABILITIES					
Segment liabilities	14,598	6,075	10,405	(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	416	1,139	1,401	–	2,956
Depreciation of property, plant and equipment	1,006	515	2,343	–	3,864
Allowance for inventories	412	42	736	–	1,190
Amortisation of prepaid lease payments	–	–	11	–	11

27. SEGMENT INFORMATION (cont'd)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than goodwill, investments, other assets, tax assets and assets of the Company. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Geographical segment

The Group operates in three principal geographical areas – Hong Kong, PRC and Japan.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding available-for-sale investments and other financial assets) by geographical location are detailed below:

	Revenue from external customers		Carrying amount of non-current assets	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Hong Kong	28,936	50,570	1,335	489
PRC	58,477	71,941	18,062	20,710
Japan	19,604	30,532	6,059	7,058
Others	293	1,549	–	–
Total	107,310	154,592	25,456	28,257

Information about major customers

In the year ended 31 December 2009, revenue from one key customer which has transactions with all segments accounted for 70% (2008 : 59%) of the total revenue.

28. OTHER INCOME

	Group	
	2009 US$'000	2008 US$'000
Interest income from bank deposits	222	244
Sundry income	148	200
Gain on disposal of scrap material	252	809
	622	1,253

29. FINANCE COSTS

	Group	
	2009 US$'000	2008 US$'000
Interest expenses to non-related companies	290	498

30. PROFIT BEFORE TAX

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

	Group	
	2009 US$'000	2008 US$'000
Depreciation of property, plant and equipment	3,750	3,864
Amortisation of prepaid lease payments	11	11
Directors' remuneration	1,524	1,320
Employee benefits expense		
Post employment benefits:		
- Defined contribution plans	2,256	2,617
- Defined benefit plan	160	251
Share-based payments:		
- Equity settled share-based payments	111	227
Other employee benefits expense	21,516	28,086
Total employee benefits expense	24,043	31,181
Audit fees:		
- Auditors of the Company	38	51
- Other auditors	353	374
Non-audit fees:		
- Other auditors	5	8
Allowance for inventories	633	1,190
Inventories recognised as expense	81,972	122,407
Loss on disposal of property, plant and equipment	167	143
Net foreign currency exchange (gain) loss	(75)	2,004
Changes in fair value of derivative financial instruments, recorded under administrative expenses	148	–
Impairment loss on available-for-sale investments, recorded under administrative expenses	18	391

31. INCOME TAX EXPENSE

	Group 2009 US$'000	Group 2008 US$'000
Current tax	972	1,301
Underprovision of current tax in prior years	230	–
Deferred tax (Note 21)	95	41
	1,297	1,342

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% (2008 : 16.5%), the Japan tax rate of 41.7% (2008 : 41.7%) and the tax rates in different locations in PRC ranging from 20% to 25% (2008 : 18% to 25%) to profit before tax, as a result of the following:

	Group 2009 US$'000	Group 2008 US$'000
Profit before tax	1,558	1,463
Tax at the domestic rates applicable to profits in the country concerned	709	881
Tax effect of expenses not deductible for tax purpose	303	504
Utilisation of timing differences previously not recognised	(103)	(153)
Tax effect of exemptions granted to PRC subsidiaries	(132)	(63)
Tax effect of unused tax losses and tax offsets not recognised	97	49
Underprovision in prior years	230	–
Deferred tax impact on undistributed earnings	193	124
Total income tax expense	1,297	1,342

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% (2008 : 16.5%) of the estimated assessable profit for the year.

At the end of the reporting period, the Group has unutilised tax losses of US$4,200,000 (2008 : US$3,600,000) available for offsetting against future periods. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

32. DIVIDENDS

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 2009, a final dividend of 0.4 US cents per share (total dividend : US$2,017,000) in respect of 2008 and an interim dividend of 0.2 US cents per share (total dividend : US$1,008,000) in respect of 2009 were paid to shareholders.

In respect of the current financial year, the directors of the Company propose that a final dividend of 0.3 US cents per share be paid to shareholders on 20 May 2010. This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 28 April 2010 and has not been included as a liability in the financial statements. Based on the number of ordinary shares as at 31 December 2009, the total estimated dividend to be paid is US$1,510,000.

33. EARNINGS PER SHARE

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

Earnings

	Group	
	2009	2008
	US$'000	US$'000
Profit for the year	261	121

Number of shares

	2009	2008
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	504,081	506,364

The above weighted average number of ordinary shares for the purposes of basic earnings per share excludes treasury shares which had been purchased on the Singapore Exchange during the year under the Shares Purchase Mandate (Note 24).

In 2008 and 2009, 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 end of the reporting period is below the exercise price for the options.

34. COMMITMENTS

(i) Operating lease commitments

	Group	
	2009 US$'000	2008 US$'000
Minimum lease payments under operating leases recognised as an expense for the year	2,320	2,765

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2009 US$'000	2008 US$'000
Future minimum lease payments payable:		
Within one year	1,548	1,697
In the second to fifth years inclusive	1,623	1,964
Total	3,171	3,661

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	
	2009 US$'000	2008 US$'000
Commitments for acquisition of property, plant and equipment:		
Contracted for but not provided	10	22

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 36 to 86 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 2009, 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 when they fall due.

On Behalf of The Directors

YOSHIMI Kunikazu
Chairman and Chief Executive Officer

LAI Shi Hong, Edward
Executive Director

29 March 2010

Statistics of Shareholdings

As at 12 March 2010

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.29	2,000	–
1,000 - 10,000	688	40.23	3,096,000	0.61
10,001 - 1,000,000	995	58.19	84,581,000	16.80
1,000,001 and above	22	1.29	415,855,221	82.59
Total	**1,710**	**100.00**	**503,534,221**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Mikuni Co., Limited	239,680,000	47.60
2.	Citibank Nominees Singapore Pte Ltd	54,723,000	10.87
3.	DMG & Partners Securities Pte Ltd	37,288,221	7.41
4.	DBS Vickers Securities (S) Pte Ltd	29,838,000	5.93
5.	OCBC Securities Private Ltd	8,797,000	1.75
6.	UOB Kay Hian Pte Ltd	5,960,000	1.18
7.	Ng Hwee Koon	4,800,000	0.95
8.	Ang Yu Seng	4,714,000	0.94
9.	Phillip Securities Pte Ltd	4,202,000	0.83
10.	Kim Eng Securities Pte Ltd	4,194,000	0.83
11.	Ong Peng Koon Gilbert	3,541,000	0.70
12.	Lim & Tan Securities Pte Ltd	3,196,000	0.63
13.	Tan Chong Hoe	2,000,000	0.40
14.	Mayban Nominees (S) Pte Ltd	1,800,000	0.36
15.	Lim Buan Hua	1,738,000	0.35
16.	Chian Shian Ann @ Chiam Yeow Ann	1,632,000	0.32
17.	Wong Kien Chorn	1,600,000	0.32
18.	Chua Kok Peng	1,415,000	0.28
19.	Armstrong Industrial Corporation Limited	1,300,000	0.26
20.	Lee Seak Sung @ Lee Seak Song	1,257,000	0.25
	Total	**413,675,221**	**82.16**

Class of equity securities	:	Ordinary share
No. of equity securities excluding treasury shares	:	503,534,221
Voting rights	:	One vote per share

As at 12 March 2010, the total number of treasury shares held is 820,000. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 0.16%.

List of Substantial Shareholders as at 12 March 2010

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	239,680,000	47.60	–	–
Yoshimi Kunikazu (1)	18,405,221	3.66	239,680,000	47.60
The China Fund, Inc.	54,708,000	10.86	–	–
Martin Currie Ltd (2)	–	–	54,708,000	10.86
Martin Currie Holdings Ltd (2)	–	–	54,708,000	10.86
Martin Currie Investment Management Ltd (2)	–	–	54,708,000	10.86
Martin Currie Inc (2)	–	–	54,708,000	10.86

Note:

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

2. Martin Currie Inc is the investment manager of The China Fund, Inc. Martin Currie Holdings Ltd is the holding company of Martin Currie Ltd, which in turn is the holding company of Martin Currie Inc and Martin Currie Investment Management Ltd. Accordingly, by virtue of Sections 7(4A)(a) and 7(6) of the Singapore Companies Act (Cap 50), Martin Currie Ltd, Martin Currie Holdings Ltd, Martin Currie Investment Management Ltd and Martin Currie Inc are deemed interested in the 54,708,000 shares directly interested by The China Fund, Inc.

Public Float

As at 12 March 2010, 33.87% of the Company's issued shares (excluding treasury 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 Seminar Room, CIMB-GK Investment Centre, 50 Raffles Place, #01-01, Singapore Land Tower, Singapore 048623 on Wednesday, 28 April 2010 at 4.00 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 2009 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.3 US cents per ordinary share (tax not applicable) for the year ended 31 December 2009 [2008: Final dividend of 0.4 US cents per ordinary share (tax not applicable)]. **(Resolution 2)**

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

Mr URANO Koichi	(Retiring under Bye-law 104)	**(Resolution 3)**
Mr KIYOTA Akihiro	(Retiring under Bye-law 104)	**(Resolution 4)**
Mr HO Yew Mun	(Retiring under Bye-law 104)	**(Resolution 5)**

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

4. To approve the payment of Directors' fees of S$220,000 for the year ending 31 December 2010 to be paid quarterly in arrears (2009: S$220,000). **(Resolution 6)**

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

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

As Special Business

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

7. Authority to issue shares

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

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

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

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

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any 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 be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) 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) (until 31 December 2010 or such other expiration date as may be determined by the SGX-ST), the limit on the aggregate number of shares (including shares to be issued in pursuance of the Instrument, made or granted pursuant to this Resolutions) of fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company set out in sub-paragraph (1) above, shall be increased to 100%, for purposes of enabling 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 8)**

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 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 9)**

By Order of the Board

Tan San-Ju
Secretary
Singapore, 5 April 2010

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 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 subject to timeline stated below.

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 until 31 December 2010. The effectiveness of these measures will be reviewed by the SGX-ST at the end of the period. 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 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to 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 Central Depository (Pte) Limited, at least forty-eight (48) hours before the time of the Meeting.

3. If a Depositor wishes to appoint a proxy/proxies to attend the Meeting, he must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the Meeting.

CDW HOLDING LIMITED
新界沙田火炭禾盛街11號中建電訊大廈11樓6-10室
Room 6-10, 11th Floor, CCT Telecom Building
11 Wo Shing Street, Fo Tan, Shatin
New Territories, Hong Kong
TEL: +852 2634 1511
FAX: +852 2690 3349
www.cdw-holding.com.hk