



A Reliable Outsourcing Partner with Japanese Precision

日本の技術力と信頼性を世界へ

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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



OUR PRODUCTION CENTRES



Crystal Display Components (Shanghai) Co., Limited



Tomoike Precision Machinery (Shanghai) Co., Limited



Crystal Display Components (Suzhou) Co., Limited



Tomoike Precision Machinery (Dongguan) Co., Limited

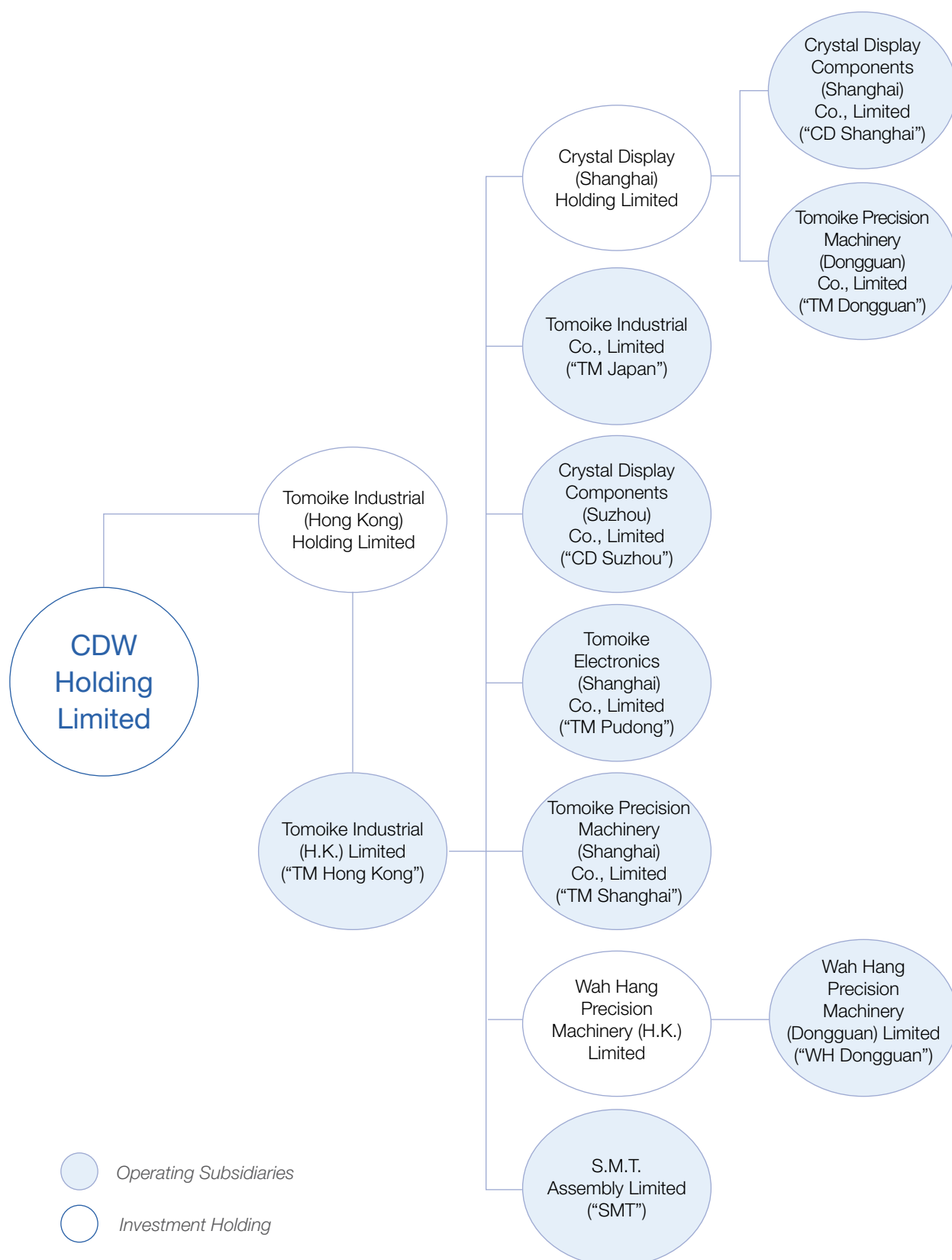


Tomoike Industrial Co., Limited



Tomoike Electronics (Shanghai) Co., Limited

CORPORATE STRUCTURE



CORPORATE MILESTONES

1991

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

1996

The Group established TM Shanghai in Jiading, Shanghai, PRC 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 and started supplying them with cost efficient precision accessories sourced from Hong Kong and PRC manufacturers.

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.

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.

CORPORATE MILESTONES

2005

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

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

2007

CD Suzhou completed the relocation to new factory in accordance with further expansion of business in July.

2008

The Group expanded capacity for Office Automation segment and WH Dongguan started production in September. This Dongguan factory aims to serve customers in Southern China.

2010

The Group acquired 72% equity interest in S.M.T. Assembly Limited, a company specialising in the provision of surface mounting technique services in electronics production assembly.

2006

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

2007

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.

2009

The Group managed to consolidate the facilities which reduced the operating costs, sustained utilisation and achieved cost efficiency.

LETTER TO SHAREHOLDERS



Dear Shareholders,

The past year has been a busy one for us. With clear-minded focus on our key strengths manufacturing high-value precision components for consumer electronics, we capitalised on the global recovery from the 2008 financial crisis and the ensuing return of consumer demand. Leveraging on our networks and market presence, we managed to improve sales and steer our corporate ship to recovery mode.

With our strategic market presence in Japan and China, we were able to grow revenues a healthy 13.6% to US\$121.9 million during the year, across the board. I am pleased to say this growth was chiefly due to sales in LCD Backlight Units, our consistently largest business segment over the years, and a segment where we have devoted much resources to. Meanwhile, our commitment to cost containment and productivity improvements has kept overheads manageable, resulting in an enhanced bottom line. Net profits expanded from US\$0.3 million in FY2009 to US\$3.4 million in FY2010.

Performance on a per share basis has strengthened with FY2009 earnings per share of 0.05 US cents expanding to 0.68 US cents in the year in review. Net asset value per ordinary share as of financial year-end 31 December 2010 was 11.02 US cents, compared with 10.40 US cents at year-ended 31 December 2009. Our Board is recommending a final dividend of 0.3 US cents per share to be approved at the upcoming Annual General Meeting. Combined with an interim cash dividend of 0.3 US cents per share, total dividends for the year would amount to 0.6 US cents per share.

Electronics Sector Strengthening

Reviewing our sales growth over all quarters, we see consistent expansion of revenues every consecutive quarter, with the strongest sales of US\$36.0 million generated in fourth quarter 2010. Over the year, our largest business segment, LCD Backlight Units saw sales improve by 21.3% or about US\$11.2 million, due to a recovering consumer electronics sector. Revenue here was US\$63.9 million, making up about half of group revenue. Increased economies of scale in this segment allowed us to realise cost efficiencies, improving our operating margins by about 1.7 percentage points to 4.5%.

Meanwhile, sales in our Office Automation segment improved to US\$26.2 million from US\$25.1 million the year before. Business likewise expanded for our LCD Parts and Accessories segment with revenue of US\$31.8 million in FY2010.

LETTER TO SHAREHOLDERS

Outlook and Strategy

In this more fluid operating environment where technology product cycles are constantly reduced and currency fluctuation seems to be the norm, we will continue to tread with agility, foresight and determination. Maintaining our vital business networks across key centres in Dongguan, Shanghai and Suzhou, China, as well as in Hong Kong and Japan, we will remain attuned to incipient changes in technology demands, production techniques, supply dynamics and pricing patterns. With that key intelligence, we will reduce risks and optimise opportunities.

Our vigilance and nimbleness has to be drawn upon more than ever before with the recent Japanese earthquake, tsunami and ongoing nuclear radiation fall-out, as of March 2011. This tragedy has disrupted power supplies and transportation in the country. The still-developing cataclysm has stymied normal production for many sectors of the Japanese economy.

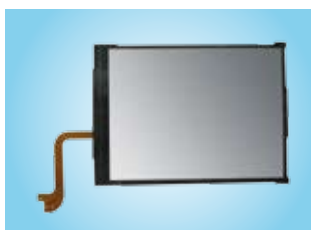
For CDW, there has not been any loss of life to our colleagues or their family members nor damage to our production facilities located in Mie and Nara prefectures in the Kinki Region in Japan. Our facilities are located a considerable distance, over 500 kilometres, from the

Northeastern Tohoku region where prefectures such as Miyagi, Iwate and Fukushima bore the brunt of the disaster.

Nonetheless, there is concern over any possible disruption to our supply of crucial Japanese-made raw materials and parts from our Japanese suppliers. What is critical is whether any prolonged supply disruptions will affect our own production. In this regard, we are closely monitoring the situation and will adjust our operations with speed and dexterity.

The present situation has reduced our ability to forecast how our business and operating costs in Japan will pan out in the near term. Be that as it may, we will update shareholders on developments once we have a clearer picture.

On a brighter note, examining the wider business horizon, analysts note that the global technology sector has been trending upwards, with increasing demand for mobile consumer electronic devices and the increasingly favourable renewal cycle for corporate investments in information technology. Based on this outlook, we are cautiously optimistic. We will build on these positive trends and seek to maximise our advantages where possible.



LETTER TO SHAREHOLDERS

Cost Management Still Important

As we expand, we will continue to address our group-wide operating costs and operating structures with prudence and long-term planning. For example, we have been facing pricing pressures in our LCD Parts and Accessories and Office Automation businesses due to increasing production costs. To manage these costs, we will be investing US\$1.5 million to purchase new equipment which will boost efficiency. We will also have to optimise our usage of labour. That said, the outlook for our Office Automation segment, which comprises parts used in the manufacture of photocopiers and printers, should remain at least stable, with the long replacement cycles of such end-products.

To further realise time and cost efficiencies, we recently acquired S.M.T. Assembly Limited, a company that specialises in the provision of surface mounting technique services. Where we had previously outsourced this production process, we look forward to integrating it into our total production and offering improved customer solutions going forward.

Long-term Strategies a Key Strength

Our ability to think and execute strategies long-term has been one of our core strengths. Along these lines, I believe our deployment of resources towards the manufacturing of components for higher-value products while retaining production for popular models will be to our long-term advantage. In other words, the right mix of value and volume-driven sales, coupled with our abilities to manage both, will put us in good stead.

Already, with our focus on higher margin products such as LCD backlight units for digital cameras, GPS systems, and high-end smart phones as well as high volume products such as LCD backlight units for popular gameset models, we have bolstered sales and expanded our order book. The global launch in March 2011 of a new gameset model has generated much hype and demand and we will keep abreast of ensuing customer response. If need be, we will prioritise our resources to increase production and meet demand. In this regard, we stand ready to ramp up production in our LCD Backlight Units segment. While sales in this segment have been strong in 2010, our capacity utilisation rate for this segment was only 43% during that period.

Currency Risk Management

With operations in various countries, we remain exposed to currency risks. Our main concern here is the fluctuation of the US Dollars against the Japanese Yen, as we purchase Japanese-made raw materials in Yen while sales are denominated in US Dollars. The Group will continue mitigating such risks with forward contracts and options.

The strong Yen has likewise negatively affected our Japanese operations and sales. Nonetheless, our presence in the country remains necessary for business development, the cultivation of customer relationships, and the building of crucial business intelligence such as information on the latest developments in raw materials. In the PRC, a robust economy has produced rising inflation, and increased raw material and labour costs as we enter

LETTER TO SHAREHOLDERS

2011. We anticipate higher operating costs as such, and will have to actively manage this in the year ahead. Some measures we will consider would be reducing administrative expenses, undertaking production process re-engineering to reduce unit production charges and improving inventory management.

Business Risk Management

As previously announced by CDW, the course of the audit of the Group for the financial year 2010, seven Unauthorised Bank Transactions involving CD Shanghai were discovered. In line with directors' duties, the Board of Directors acted promptly to safeguard of CD Shanghai. The Board has since discovered that such incidents were caused by some ineffective internal controls and reporting line. On behalf of the Board, I would like to emphasise how seriously we view this lapse. We vouch to improve corporate governance across the board going forward. Importantly, the Board will ensure an enhancement to the internal controls which will prevent such unauthorised transactions from recurring.

Furthermore, we have taken serious disciplinary actions from demotion to issuing strong warning letters against those who had breached and failed to act with proper authorisation.

For further details, please refer to our Corporate Governance Report and Note 3 to the financial statements as set out at pages 58 and 59 of the Annual Report.

Conclusion

CDW has had an eventful 2010 with lessons and experiences that will prepare us well for the future. As we look ahead to the start of 2011, Asia has certainly exited the global financial crisis but the developed economies continue to deal with its overhang. In Japan, the recent earthquake and resultant effects has thrown a spanner in the works as well. And on the broad sector horizon, while the global technology market seems to be coming back, we are cognisant of its volatility and will have to move forward with care.

On this note, I rest assured in our managerial expertise. We have shown resilience and acumen to grow our business over these bracing times and we will bring the same resources to bear as we move forward.

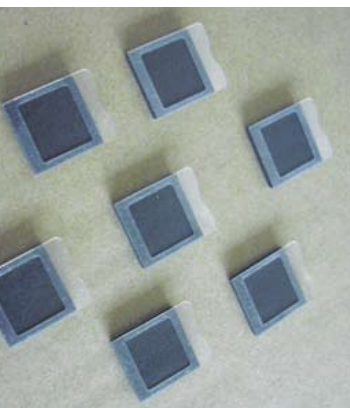
At this juncture, I would like to conclude by thanking the directors, management and staff for your drive and talent. Special mention should also be extended to Mr Wong Chak Weng, an Independent Director and the Chairman of the Nominating Committee since August 2004. He is retiring from the Board after the Annual General Meeting to be held on 31 May 2011. We thank him for his contributions and wish him well in the future. Last but not least, we would also like to thank our business partners, customers and shareholders for their support. We look forward to 2011.

Yours Sincerely,

YOSHIMI Kunikazu

Chairman and Chief Executive Officer

FINANCIAL & OPERATIONS REVIEW



Income Statement

Leveraging on its networks with key customers and expertise in the manufacture of precision components for consumer electronics, CDW booked strong results for the Financial Year 2010. During the year, the Group achieved a 13.6% increase in revenue to US\$121.9 million. This compares with revenue of US\$107.3 million in FY2009. This was mainly due to robust sales in LCD Backlight Units, our largest segment.

Group gross profits increased by US\$2.3 million over the year, from US\$25.3 million in FY2009 to US\$27.6 million in FY2010. Meanwhile, administrative expenses were reduced about US\$0.5 million to US\$21.6 million while other operating income increased from US\$0.6 million to US\$0.9 million with additional sales of moulds.

Strong revenue growth coupled with a reduction in operating expenses produced a robust improvement in resultant net profits, from US\$0.3 million in FY2009 to US\$3.4 million in the year in review. With stronger business, we were able to realise economies of scale across the board and expand margins. Net margins grew from 0.2% in FY2009 to 2.8% in FY2010.

LCD Backlight Units

Comprising about half of our total Group revenue, LCD Backlight Units sales was booked as US\$63.9 million in FY2010. This was an improvement of 21.3% or about US\$11.2 million over FY2009 on the back of a recovering consumer electronics sector.

During the year, the Group manufactured a total of 28.1 million backlight units for gamesets and other handheld devices and 2.5 million backlight units for handsets, compared with 25.6 million units and 0.7 million units respectively in the preceding year.

With increasing economies of scale in this, our largest segment, we experienced cost efficiencies and improved our operating margins by about 1.7 percentage points to 4.5%.

Office Automation

Sales in this segment remained steady at US\$26.2 million, compared with US\$25.1 million in FY2009. Operating margins improved from 6.8% in FY2009 to 10.1% in FY2010. In this segment, our products are used in the manufacture of office equipment such as printers and photocopiers. The replacement cycle for such office equipment tends to be long and order flow during the year was stable.

LCD Parts and Accessories

This segment saw a marginal increase in revenue, from US\$29.6 million in FY2009 to US\$31.8 million in FY2010. Operating margins for both years remained stable at about 4.1%.

In FY2010, we acquired S.M.T. Assembly Limited ("SMT"), a company specializing in surface mounting technique services. Through our integration of this crucial production process, previously outsourced, we will not only be able to manage operating costs better but also improve production time, giving us the ability to service customers even better.

Statement of Financial Position

As of 31 December 2010, total assets and liabilities stood at US\$100.9 million and US\$45.4 million respectively.

Total current assets increased by US\$7.8 million over the year to about US\$74.1 million as at 31 December 2010. This was mainly due to increases in cash and bank balances, trade receivables and inventories. Cash and bank balances with pledged bank deposits

FINANCIAL & OPERATIONS REVIEW

increased by US\$1.1 million. This was mainly due to the appreciation of the functional currencies, other than United States dollars ("US Dollars"), of operating subsidiaries, namely Renminbi ("RMB") and Japanese Yen.

Under trade receivables, in general the Group debtor turnover days were around 55 days. There is no change in the credit term to customers. The increase was in line with the increase in the total sales volume in the fourth quarter of FY2010. The increase in inventories was in line with the increase in revenue, and also for sales orders of a new model in the coming months. The inventory turnover days for FY2010 and FY2009 were 38 days and 41 days respectively.

Other receivables were mainly utility deposits, prepaid expenses and VAT recoverable.

Non-current assets decreased by about US\$0.6 million over FY2010 to US\$26.8 million. Available-for-sale investments consisted of investments in quoted shares and investment in EuroYen bond. The change in the fair value in the investment was properly reflected in the financial statement as at 31 December 2010.

Held-to-maturity investment comprised investment of funds in a leveraged lease arrangement for tax planning purposes. Other assets represented the directors' insurance and rental deposits. No material fluctuation was noted during the current year.

Under property, plant and equipment, the decrease over the year represented mainly the depreciation charge provided and newly

invested for assembling machine during the year in review. During the year, the Group had acquired 72% equity interest in SMT through a business combination.

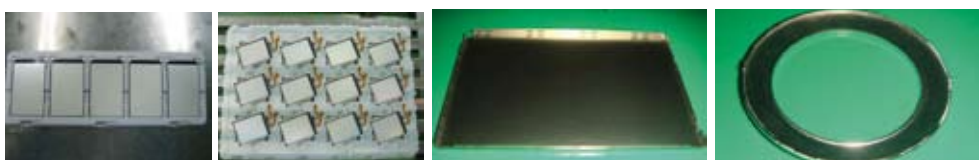
Total liabilities increased by US\$4.0 million to US\$45.4 million as of 31 December 2010. During the year in review, the Group continued to repay bank loans and other borrowings according to its repayment schedule. The Group continues to capitalise on the current low interest rate environment and entered fixed-rate loans with tenor of 3 to 4 years. The outstanding loans remained at US\$15.2 million as of 31 December 2010, compared with US\$15.7 million as of 31 December 2009.

For trade payables, the increase in balance was in line with the rise in the revenue. There was no change in the credit terms from our suppliers.

Other payables comprised accruals for expenses and wage payable. The increase in other payables is due to higher revenue and demand in the fourth quarter of FY2010.

Cash Flow Statement

Cash and cash equivalents at 31 December 2010 increased to US\$37.7 million, compared with US\$35.8 million on 31 December 2009. The increase in operating cash flow was due to the increase in profit before tax for the year by US\$3.0 million and the decrease in non-cash adjustments. In particular, the depreciation charge was decreased by US\$0.4 million while the change in the fair value of derivative financial instruments was US\$0.2 million.



FINANCIAL & OPERATIONS REVIEW

The increase in working capital was due to the launch of new models in the fourth quarter of FY2010 which increased trade receivables. The increase in inventories was due to the increase in orders for new models in the coming months.

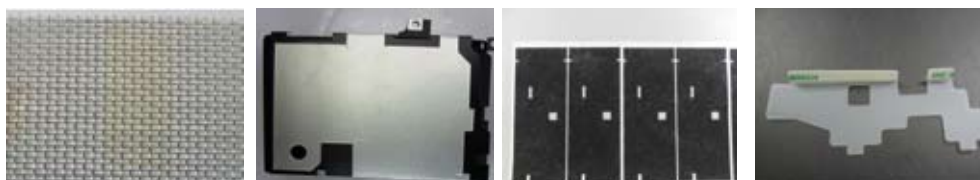
Under retirement benefit obligations paid, TM Japan paid US\$0.3 million to the director upon his retirement.

As previously announced by CDW, there were seven Unauthorised Bank Transfers involving CD Shanghai in FY2010. These bank transfers in total amount to approximately RMB210 million (equivalent to approximately US\$ 30,995,000). All the monies that had been remitted by CD Shanghai have been fully repaid to CD Shanghai. For further details, please

refer to our Corporate Governance Report and Note 3 to the financial statements as set out at pages 58 and 59 of the Annual Report.

The increase in investing activities from US\$0.1 million as at 31 December 2009 to US\$0.2 million as at 31 December 2010 was due to the receipt of settlement of loan receivable amounting to US\$0.7 million and purchase of machineries amounting to US\$1.3 million for replacement purposes.

The change in financing activities over FY2010 was due to the payment of dividends of US\$3.0 million and a net settlement of US\$1.0 million with banks. The increase in net effect of currency translation was due to the appreciation of the Japanese Yen and RMB in terms of US Dollars.



Key Financial Data

US\$mn	FY2010	FY2009	FY2008	FY2007	FY2006
Total Assets	100.9	93.8	100.9	104.3	103.6
Total Liabilities	45.4	41.4	45.7	51.4	50.5
Current Assets	74.1	66.3	70.5	73.5	75.0
Current Liabilities	36.8	32.5	42.5	45.9	46.1
Shareholders' Equity	55.5	52.4	55.2	52.9	49.6
Revenue	121.9	107.3	154.6	167.3	156.6
Profit before tax	4.6	1.6	1.5	1.0	6.1
Profit after tax	3.4	0.3	0.1	0.1	5.4
Earnings per share (US cents)	0.68	0.05	0.02	(0.06)	1.06
Dividend per share (US cents)	0.6*	0.5	0.8	0.2	0.6

* including the proposed final dividend for FY2010

FINANCIAL & OPERATIONS REVIEW

Key Operational Information / Data

LCD BLU Operating subsidiaries

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

	FY2010	FY2009
Revenue (US\$mn)	63.9	52.6
Earnings before interest and taxes (EBIT) (US\$mn)	2.9	1.5
Gross floor area (sqm)	19,731	19,731
Clean room area (sqm)	6,208	6,208
Number of staff	162	168
Number of workers	1,285	1,004
Production capacity (units/mth)	6,000,000	6,000,000

(Figures are based on December of each year.)

LCD Parts and Accessories Operating subsidiaries

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

	FY2010	FY2009
Revenue (US\$mn)	31.8	29.6
EBIT (US\$mn)	1.3	1.2
Gross floor area (sqm)	36,887	25,504
Clean room area (sqm)	4,373	3,763
Number of staff	183	168
Number of workers	770	649

*SMT was acquired in September 2010.

(Figures are based on December of each year.)

Office Automation Operating subsidiaries

(TM Japan, TM Shanghai & WH Dongguan)

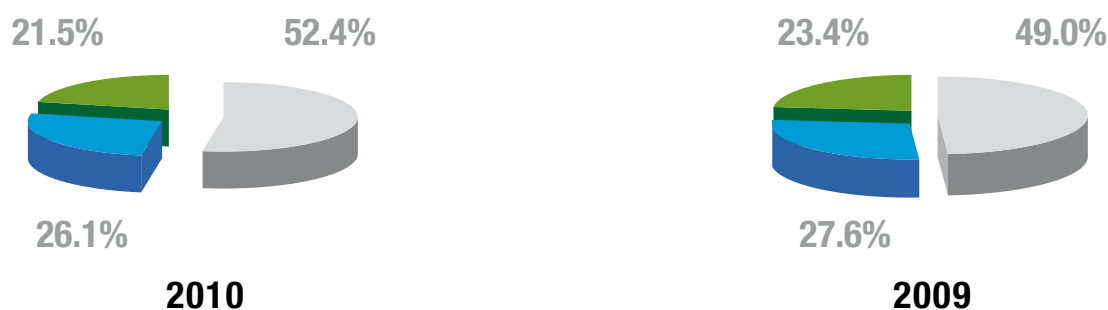
	FY2010	FY2009
Revenue (US\$mn)	26.2	25.1
EBIT (US\$mn)	2.6	1.7
Gross floor area (sqm)	8,454	8,454
Clean room area (sqm)	1,128	933
Number of staff	142	158
Number of workers	545	504

(Figures are based on December of each year.)

FINANCIAL & OPERATIONS REVIEW

Segmental Financial Highlights

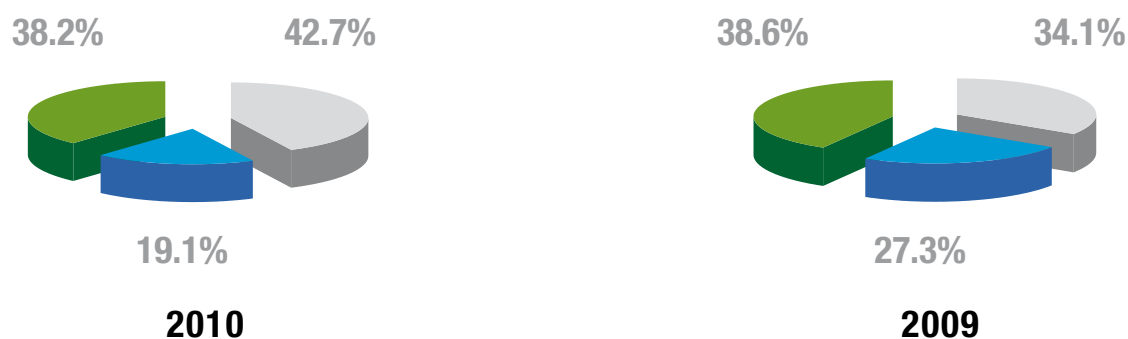
Revenue - by business segments



Revenue Growth

US\$mn	FY2010	FY2009	%Change	
LCD Backlight Units	63.9	52.6	21.5	LCD Backlight Units
LCD Parts and Accessories	31.8	29.6	7.4	LCD Parts and Accessories
Office Automation	26.2	25.1	4.4	Office Automation

EBIT - by business segments



EBIT Growth

US\$mn	FY2010	FY2009	%Change	
LCD Backlight Units	2.9	1.5	93.3	LCD Backlight Units
LCD Parts and Accessories	1.3	1.2	8.3	LCD Parts and Accessories
Office Automation	2.6	1.7	52.9	Office Automation

BOARD OF DIRECTORS



YOSHIMI Kunikazu

Chairman and Chief Executive Officer of our Group.

Mr Yoshimi founded the Group in the early 90's. He has over 30 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 formulation of the Group's business and marketing strategies.



URANO Koichi

Executive Director and Chief Operating Officer of our Group.

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 16 years of experience and knowledge of the LCD technology and has made considerable contribution towards the development of the Group's business in the Japanese and overseas markets.



KIYOTA Akihiro

Executive Director of our Group.

Mr Kiyota is responsible for managing our Group's operations and planning our Group's marketing strategies in Japan in particular. He has over 25 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.



LAI Shi Hong, Edward

Executive Director of our Group.

Mr Lai is responsible for overseeing our finance, compliance and corporate development functions. He has more than 23 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.



DY MO Hua Cheung, Philip

Executive Director of our Group.

Mr Dy Mo 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 Dy Mo 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.

BOARD OF DIRECTORS



HO Yew Mun

Independent Director of our Group.

Mr Ho is currently an Executive Director of Ho Yew Mun Pte Ltd, a company providing corporate advisory services and an Independent Director of PEC Ltd., and of China Fibretech Ltd. Mr Ho is a Fellow Member of the Association of Chartered Certified Accountants (ACCA, London) and the Institute of Certified Public Accountants (Singapore). He holds a Master in Business Administration degree from Victoria University, Wellington, New Zealand and is also a full Member of the Singapore Institute of Directors.



NG Wai Kee

Independent Director of our Group.

Mr Ng is a professional accountant by training and a certified public accountant. He has more than 23 years of experience in accounting, auditing, taxation and corporate secretarial work. Mr Ng graduated from the Hong Kong Shue Yan College (presently known as the Hong Kong Shue Yan University). He is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a Member of The Institute of Chartered Accountants in England and Wales.



WONG Chak Weng

Independent Director of our Group.

Mr Wong is a practising lawyer with more than 30 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 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.



WONG Yik Chung, John

Independent Director of our Group.

Mr Wong is a professional accountant by training with more than 22 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.

KEY MANAGEMENT



CHAN Kam Wah

Head of Sales and Marketing of our Group in Southern China.

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



LEE Haeng Jo (also known as MORIYAMA Kozo)

Head of Production and Corporate Planning of our Group.

Mr Lee is responsible for overseeing the production facilities of the Group in Hong Kong and the PRC. He was formerly engaged in our LCD backlight units division in Shanghai on a consultancy basis and contributed significantly to the success of this division. Mr Lee has more than 14 years of experience in sales and marketing in Japan. He is responsible for the corporate planning of our group, and addressing the improvement of business performance of our group.



SHINJO Kunihiro

Head of Finance (Group Coordinator) of our Group.

Mr Shinjo is responsible for coordinating financial activities across the Group and establishing relationships with financial institutions overseas. He has more than 24 years of experience in accounting, financial control, treasury management and tax compliance in Japan. He joined our Group as the Branch Manager of Osaka Representative Office of TM Hong Kong in 2005.



EGUCHI Yasunori

Head of Operations (Project Coordination) of our Group.

Mr Eguchi is responsible for coordinating various business functions and ad hoc projects in the Group. He graduated with a Bachelor of Engineering from the University of Saga. He has over 22 years of experience in project management, being in charge of numerous large-scale projects overseas. He has assumed senior management position for more than 15 years. Mr Eguchi was appointed as the General Manager of TM Hong Kong in August 2007 and has been also aggressively involved in the strategic business improvement activities for the group.



OCHI Shinichi

Head of Supply Chain Management of our Group.

Mr Ochi is responsible for overseeing and promoting efficiency of our Group's supply chain management from ordering, procurement, inventory control to logistics. With management skill developed in his career with the Group for more than 16 years, he has made significant contribution to the Group's success, in particular in cost management. He was the General Manager of TM Pudong and TM Shainghai. In January 2009, he was appointed as a Director of TM Japan.

KEY MANAGEMENT

Company Secretary



TAN San-Ju

Ms Tan is a Fellow of the Institute of Chartered Secretaries & Administrators (UK) and a member of the Singapore Association of the Institute of Chartered Secretaries & Administrators ("SAICSA"). Ms Tan also holds a Practising Certificate from SAICSA. She has more than 25 years experience in corporate secretarial work and is currently Company Secretary of several companies listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). She is a Director of Boardroom Corporate & Advisory Services Pte. Ltd. ("BCAS") which provides corporate secretarial services and share registration services. BCAS is a wholly owned subsidiary of Boardroom Limited, which is listed on the Mainboard of the SGX-ST.

Legal Counsel



LEE Teck Leng, Robson

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 INFORMATION

Board of Directors

Chairman and Chief Executive Officer

YOSHIMI Kunikazu

Executive Director

URANO Koichi

KIYOTA Akihiro

LAI Shi Hong, Edward

DY MO 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

SHINJO Kunihiro

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, HM 12

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

Public Accountants and

Certified Public Accountants

6 Shenton Way #32-00

DBS Building Tower Two

Singapore 068809

Audit Partner: CHUA How Kiat

Date of appointment: 15 October 2010

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Corporate Governance Report

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

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

BOARD MATTERS

Principal 1: Board’s Conduct of its Affairs

The members of the Board for the financial year 2010 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)
DY MO 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.

Corporate Governance Report

The number of meetings held by the Board and Board Committees and attendance for the financial year 2010 were as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
DIRECTORS								
YOSHIMI Kunikazu	4	4	—	—	—	—	—	—
URANO Koichi	4	3	—	—	—	—	—	—
KIYOTA Akihiro	4	3	—	—	—	—	—	—
LAI Shi Hong, Edward	4	4	—	—	2	2	—	—
DY MO Hua Cheung, Philip	4	4	—	—	—	—	—	—
HO Yew Mun	4	4	4	4	2	2	1	1
NG Wai Kee	4	4	4	4	2	1	1	1
WONG Chak Weng	4	4	4	4	2	2	1	1
WONG Yik Chung, John	4	4	4	4	2	2	1	1

The number of meetings held by the Board and Board Committees and attendance for the period from 1 January 2011 to 4 May 2011 were as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
DIRECTORS								
YOSHIMI Kunikazu	9	6	—	—	—	—	—	—
URANO Koichi	9	7	—	—	—	—	—	—
KIYOTA Akihiro	9	7	—	—	—	—	—	—
LAI Shi Hong, Edward	9	8	—	—	2	2	—	—
DY MO Hua Cheung, Philip	9	9	—	—	—	—	—	—
HO Yew Mun	9	8	22	20	2	2	1	1
NG Wai Kee	9	9	22	21	2	2	1	1
WONG Chak Weng	9	9	22	22	2	2	1	1
WONG Yik Chung, John	9	9	22	16	2	2	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.

Corporate Governance Report

The Board, in consideration of the complexity and nature of operations of the Company, considers its current size to be adequate for effective decision-making. A summary of the academic and professional qualifications and other appointments of each Director is set out on pages 15 and 16 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.

However, the Group’s Chairman and CEO, YOSHIMI Kunikazu, is reviewing a clear division of responsibilities at the top of the Company and to separate the role of chairman and CEO, i.e. the working of the Board and the executive responsibility for the Company’s business. Such separation would offer an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Should the role of chairman and CEO be separate, the CEO will be responsible for the day-to-day operation of the Group. The responsibility of the chairman is to schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the company’s operations, to prepare meeting agenda in consultation with the CEO, to exercise control over quality, quantity and timeliness of the flow of information between Management and the Board and to assist in ensuring compliance with company’s guidelines on corporate governance.

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 renomination 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;

Corporate Governance Report

- (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 fulfill 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.

For Board members having multiple board representations, the NC has suggested that the number of directorships in listed companies that a Board member hold should not be more than 5 directorships. In this regard, 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.

Corporate Governance Report

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 Directors' 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 2010 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	88%	12%	—	—
S\$250,000 to S\$499,999				
URANO Koichi	94%	6%	—	—
KIYOTA Akihiro	100%	—	—	—
Below S\$250,000				
LAI Shi Hong, Edward	100%	—	—	—
DY MO Hua Cheung, Philip	100%	—	—	—
HO Yew Mun	—	—	100%	—
NG Wai Kee	—	—	100%	—
WONG Chak Weng	—	—	100%	—
WONG Yik Chung, John	—	—	100%	—

Corporate Governance Report

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				
LEE Haeng Jo (also known as MORIYAMA Kozo)	88%	12%	—	—
SHINJO Kunihiro	100%	—	—	—
EGUCHI Yasunori	81%	19%	—	—
OCHI Shinichi	100%	—	—	—
Below S\$250,000				
CHAN Kam Wah	75%	25%	—	—
SAKAI Akira	99%	1%	—	—

The remuneration of the Independent Directors is in the form of a fixed fee which will be subject to shareholders' 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 Directors 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 the 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. The remaining unexercised 1,464,000 share options were lapsed in 2010.

A total number of 19,032,000 options have been granted on 11 June 2008, and accepted under the Scheme, by a number of key executives (including four Executive Directors) of the Company in 2008. The number of outstanding share options as at 31 December 2010 was 19,032,000.

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.

Corporate Governance Report

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.

Corporate Governance Report

The AC has full access to the external auditors and the internal auditor without the presence of the management of the Company. The AC has explicit authority to investigate any matter within its terms of reference, full access to and cooperation by the management of the Company and full discretion to invite any Director or management of the Company to attend its meetings, and 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 2010 can be referred to page 91 of the Annual Report.

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

Subsequent to year end, the AC was assigned to conduct a separate investigation on certain unauthorised bank transfer transactions which took place in Crystal Display Components (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company during the year ended 31 December 2010 (the "Unauthorised Bank Transfers"), details of which were described in the Company's announcements dated 1 and 3 March 2011. A report was issued by the AC upon completion of the investigation on 20 April 2011, the details of which were summarized in the Company's announcement dated 21 April 2011. Further details of the Unauthorised Bank Transfers are also described in Note 3 to the financial statement as set out at pages 58 and 59 of the Annual Report.

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.

As mentioned above, the auditors identified certain Unauthorised Bank Transfers during the course of the annual audit. To immediately address the weaknesses in the internal control system of this subsidiary, the Board had taken the following actions:

1. Secured the assets and the accounting records of the subsidiary concerned;
2. Commissioned a PRC lawyer, Haibu Attorneys-at-Law ("Haibu"), to conduct a fact finding exercise and review of what had happened; and
3. Commissioned the Group's internal audit team ("Group Internal Auditors") to determine if there are any other similar transactions; and
4. Suspended the relevant executives of the subsidiary concerned from authorizing all cash and cheque payments and any treasury and financial functions that they may have.

To further strengthen the internal control systems of the Group, the management has subsequently imposed the following additional internal control procedures:

- a. Subsidiaries have to seek prior authorisation from the management for all payments exceeding a certain amount;
- b. Each subsidiary is required to submit a list of the pre-approved limit payments for each vendor or payee for each calendar month. The management reviews the list of this pre-approved limit payments for each vendor or payee on a regular basis. Any payment over the pre-approved limit may only be made with the prior approval of the management; and

Corporate Governance Report

- c. Each subsidiary is to open a bank account and deposit its entire idle fund in this account. The authorised signatories of such bank account must consist of senior personnel from the management.

Save for the abovementioned Unauthorised Bank Transfers incident which was regarded as an isolated event and were attributable to certain weaknesses in the internal control procedures relating to the ineffective internal control, the reporting line and the responsibilities of the senior executives and the management of the subsidiary concerned, the Board is of the view that internal controls within the Group were generally adequate.

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 internal auditors report primarily to the Chairman of the AC and report administratively to the CEO.

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 internal audit team adopts the principles and methodologies of the Institute of Internal auditors, USA, and is provided with training where appropriate. The internal audit team carries out the internal audit functions by company in accordance with approved internal audit plan which normally has duration of 2 to 3 years. Each company of the Group will be covered and subject to internal audit review and testing at least once during the cycle of the internal audit plan.

Since the incident of the Unauthorised Bank Transfers, AC will strengthen the internal audit function by having external qualified professionals to oversee and formulate the risk-based internal audit approach and strategy to ensure all high-risk areas are covered on an annual basis in the internal audit work done. In this regard, the AC will ensure that the internal control audit function is adequately resourced and has appropriate standing within the Group.

To ensure the adequacy of the internal audit function, the AC reviews the internal audit team's scope of work on an annual basis. The internal auditors are always ready to meet the AC without the presence of management upon AC's request.

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 2010 or entered into since the end of that financial year.

Corporate Governance Report

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 5 of the Notes to the Financial Statements, from page 61 to page 70 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.

There was no interested person transactions entered into during the year under review.

Report of the Directors

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 2010.

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)
DY MO 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:

Name of directors and companies in which interests are held	Direct interests		Deemed interests	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company				
<u>Ordinary shares of US\$0.02 each</u>				
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	—	—
DY MO 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.

Report of the Directors

3 Directors' Interests in Shares and Debentures (cont'd)

	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
DY MO Hua Cheung, Philip	1,952,000	1,952,000

The directors' interest in the shares and options of the Company at 21 January 2011 were the same as those at 31 December 2010.

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 23 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)

Report of the Directors

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 2010	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2010	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	–	–	(1,464,000)	19,032,000		

In respect of share options granted to employees of the Group, 1,464,000 (2009 : Nil) were lapsed and no new options (2009 : Nil) were granted during the financial year, making it a total of 19,032,000 (2009 : 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
DY MO Hua Cheung, Philip	–	1,952,000	–	–	1,952,000

Report of the Directors

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 25 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 consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company 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 Bank Transfers

As set out in Note 3 to the financial statements on pages 58 to 59, the auditors discovered seven bank transfer transactions made by CD Shanghai, a subsidiary of the Company, (the "Bank Transfers") without the knowledge of the Board.

The Audit Committee of the Company ("AC") was assigned to conduct a separate investigation on the Bank Transfers, details of which were described in the Company's announcements dated 1 and 3 March 2011. A report was issued by the AC upon completion of the investigation on 20 April 2011, of which the details were summarised in the Company's announcement dated 21 April 2011. In summary, the Company and CD Shanghai did not suffer any loss. There is no indication of any fraud committed by any persons in the Company.

The Bank Transfers incident was regarded as an isolated event and were attributable to certain weaknesses in the internal control procedures relating to the ineffective internal control, the reporting line and the responsibilities of the senior executives and the management of the subsidiary concerned. The Board vouches to improve corporate governance across the board going forward and will ensure an enhancement to the internal controls which will prevent such unauthorised transactions from recurring. Furthermore, the Board has taken serious disciplinary actions from demotion to issuing strong warning letters against those senior executives of CD Shanghai who had breached and failed to act with proper authorisation.

8 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

4 May 2011

Statement of Directors

To the best of our knowledge and belief, in the opinion of Directors, although the auditors have qualified the cash flows of the Group in their Independent Auditors' Report but having regard to the considerations in the accompanying financial statements, in particular Note 3 set up on pages 58 and 59 of this Annual Report, 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 38 to 95 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 2010, 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

4 May 2011

Independent Auditors' Report

To the Members of CDW Holding Limited

We have audited the accompanying financial statements of CDW Holding Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2010, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 95.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about 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 of the financial statements that gives a true and fair view 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 unmodified opinion on the financial position and changes in equity of the Group and the Company and financial performance of the Group and our qualified audit opinion on the cash flows of the Group.

Basis for Qualified Opinion on the Cash Flows of the Group

During the course of the audit, bank transfers in the aggregate amount of RMB210 million (equivalent to approximately US\$30,995,000) made by a subsidiary of the Group to a company in the Peoples' Republic of China during the year ended 31 December 2010 were identified. As described in Note 3 to the financial statements, following an investigation process the Group has disclosed these bank transfers as "Amounts paid for investment purposes (unauthorised)" and "Repayment of amounts paid for investment purposes (unauthorised)" in the consolidated statement of cash flows. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves either as to the purpose for which the bank transfers were made or as to whether they are fairly described in the consolidated statement of cash flows and the related Note 3 to the financial statements.

Independent Auditors' Report

To the Members of CDW Holding Limited

Qualified Opinion on the Cash Flows of the Group

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion on the Cash Flows of the Group paragraph, the consolidated statement of cash flows of the Group gives a true and fair view of the cash flows of the Group for the year ended 31 December 2010 in accordance with International Financial Reporting Standards.

Opinion on the Financial Position and Changes in Equity of the Group and the Company and Financial Performance of the Group

In our opinion, the statements of financial position and statements of changes in equity of the Group and the Company, the consolidated income statement and the consolidated statement of comprehensive income of the Group give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010, and of the financial performance of the Group and changes in equity of the Group and the Company for the year ended in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
4 May 2011

Statements of Financial Position

As at 31 December 2010

		Group		Company	
	Note	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
ASSETS					
Current assets					
Cash and bank balances	7	37,716	35,828	79	163
Pledged bank deposits	7	764	1,581	–	–
Trade and other receivables	8	25,410	20,404	27	750
Derivative financial instruments	20	2	–	–	–
Prepaid lease payments	9	9	9	–	–
Inventories	10	10,169	8,484	–	–
Total current assets		74,070	66,306	106	913
Non-current assets					
Goodwill	11	1,516	1,516	–	–
Investments	12	1,847	1,931	–	–
Other assets	13	604	518	–	–
Amount due from a subsidiary	14	–	–	18,625	18,046
Prepaid lease payments	9	456	453	–	–
Property, plant and equipment	15	22,417	23,028	–	–
Subsidiaries	16	–	–	10,735	10,735
Total non-current assets		26,840	27,446	29,360	28,781
Total assets		100,910	93,752	29,466	29,694
LIABILITIES AND EQUITY					
Current liabilities					
Current portion of bank and other borrowings	17	8,591	8,819	–	–
Trade and other payables	18	27,560	22,912	110	199
Current portion of finance leases	19	257	220	–	–
Derivative financial instruments	20	–	148	–	–
Income tax payable		383	374	–	–
Total current liabilities		36,791	32,473	110	199
Non-current liabilities					
Bank and other borrowings	17	6,597	6,874	–	–
Finance leases	19	431	325	–	–
Retirement benefit obligations	21	750	816	–	–
Deferred tax liabilities	22	845	895	–	–
Total non-current liabilities		8,623	8,910	–	–
Capital, reserves and non-controlling interests					
Share capital	24	10,087	10,087	10,087	10,087
Treasury shares	25	(33)	(33)	(33)	(33)
Reserves		45,414	42,315	19,302	19,441
Equity attributable to owners of the company		55,468	52,369	29,356	29,495
Non-controlling interests		28	–	–	–
Total equity		55,496	52,369	29,356	29,495
Total liabilities and equity		100,910	93,752	29,466	29,694

See accompanying notes to financial statements.

Consolidated Income Statement

Year Ended 31 December 2010

		Group	
	Note	2010 US\$'000	2009 US\$'000
Revenue	27	121,855	107,310
Cost of sales		(94,226)	(81,972)
Gross profit		27,629	25,338
Other income	29	921	622
Distribution costs		(2,098)	(2,075)
Administrative expenses	30	(21,575)	(22,037)
Finance costs	31	(315)	(290)
Profit before tax	32	4,562	1,558
Income tax expense	33	(1,137)	(1,297)
Profit for the year		3,425	261
Profit attributable to:			
Owners of the company		3,447	261
Non-controlling interests		(22)	–
		3,425	261
Earnings per share (US cents)			
Basic	35	0.68	0.05
Diluted	35	0.68	0.05

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2010

	Note	Group 2010 US\$'000	2009 US\$'000
Profit for the year		3,425	261
Other comprehensive income:			
Reversal of deferred tax liability (Deferred tax liability arising) on revaluation of available-for-sale investments	22	27	(36)
Exchange differences on translation of foreign operations		2,708	(152)
Available-for-sale investments:			
Fair value (loss) gain arising during the year	12	(62)	92
Other comprehensive income for the year, net of tax		2,673	(96)
Total comprehensive income for the year		6,098	165
Total comprehensive income attributable to:			
Owners of the company		6,120	165
Non-controlling interests		(22)	—
		6,098	165

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2010

Note 26

	Share capital US\$'000	Share premium of the Company US\$'000	Treasury shares US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Reserve Fund US\$'000	Enterprise Expansion Fund US\$'000	Other Reserves US\$'000	Revaluation reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Attributable to equity holders of the Company US\$'000	Attributable to non- controlling interest US\$'000	Total US\$'000
Group														
Balance at 1 January 2009	10,110	19,009	-	175	(7,020)	4,513	307	1,167	-	9,204	17,724	55,189	-	55,189
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	(152)	261	165	-	165
Transfer	-	-	-	-	-	179	3	3	-	-	(185)	-	-	-
Cancellation of purchased shares under Shares Purchase Mandate	(23)	(15)	-	-	-	-	-	-	-	-	-	(38)	-	(38)
Shares purchased under Shares Purchase Mandate and held as treasury shares (Note 25)	-	-	(33)	-	-	-	-	-	-	-	-	(33)	-	(33)
Recognition of share-based payments (Note 23)	-	-	-	111	-	-	-	-	-	-	-	111	-	111
Dividends paid (Note 34)	-	-	-	-	-	-	-	-	-	-	(3,025)	(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	-	52,369
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(35)	2,708	3,447	6,120	(22)	6,098
Transfer on share options lapsed (Note 23)	-	-	-	(20)	-	-	-	-	-	-	20	-	-	-
Transfer	-	-	-	-	-	166	3	3	-	-	(172)	-	-	-
Arising on the acquisition of a subsidiary (Note 36)	-	-	-	-	-	-	-	-	-	-	-	-	50	50
Dividends paid (Note 34)	-	-	-	-	-	-	-	-	-	-	(3,021)	(3,021)	-	(3,021)
Balance at 31 December 2010	10,087	18,994	(33)	266	(7,020)	4,858	313	1,173	21	11,760	15,049	55,468	28	55,496

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2010

	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 2009	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 25)	–	–	(33)	–	–	(33)
Recognition of share-based payments (Note 23)	–	–	–	111	–	111
Dividends paid (Note 34)	–	–	–	–	(3,025)	(3,025)
Balance at 31 December 2009	10,087	18,994	(33)	286	161	29,495
Total comprehensive income for the year	–	–	–	–	2,882	2,882
Transfer on share options lapsed (Note 23)	–	–	–	(20)	20	–
Dividends paid (Note 34)	–	–	–	–	(3,021)	(3,021)
Balance at 31 December 2010	10,087	18,994	(33)	266	42	29,356

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Note	Group 2010 US\$'000	2009 US\$'000
Operating activities			
Profit before tax		4,562	1,558
Adjustments for:			
Depreciation of property, plant and equipment		3,376	3,750
Amortisation of prepaid lease payments		11	11
Interest income		(164)	(222)
Interest expense		315	290
Loss on disposal of property, plant and equipment		46	167
Allowances for inventories		706	633
Share-based payment expense		—	111
Retirement benefit obligations		169	160
Impairment loss on available-for-sale investments		153	18
Loss on disposal of other assets		—	3
Changes in fair value of derivative financial instruments		(150)	148
Operating cash flows before movements in working capital		9,024	6,627
Trade and other receivables		(5,414)	7,393
Inventories		(2,367)	1,511
Trade and other payables		3,936	(7,494)
Cash generated from operations		5,179	8,037
Net income taxes paid		(1,233)	(1,146)
Retirement benefit obligations paid		(334)	(56)
Interest paid		(315)	(290)
Net cash from operating activities		3,297	6,545
Investing activities			
Proceeds from repayment of loan receivable	8	735	774
Proceeds on disposal of property, plant and equipment		331	363
Proceeds on disposal of other assets		—	4
Purchase of property, plant and equipment (Note A)		(1,307)	(1,798)
(Increase) Decrease in other assets		(16)	342
Additional investment in available-for-sale investments		(17)	(15)
Interest income received		164	222
Acquisition of a subsidiary	36	(61)	—
Amounts paid for investment purposes (unauthorised)	3	(30,995)	—
Repayment of amounts paid for investment purposes (unauthorised)	3	30,995	—
Net cash used in investing activities		(171)	(108)
Financing activities			
Payment of share buyback		—	(71)
Decrease (Increase) in pledged bank deposits		817	(286)
Proceeds from bank and other borrowings		81,156	143,183
Repayment of bank and other borrowings		(82,199)	(139,524)
Repayment of obligation under finance leases		(268)	(356)
Dividends paid		(3,021)	(3,025)
Net cash used in financing activities		(3,515)	(79)
Net (decrease) increase in cash and cash equivalents		(389)	6,358
Cash and cash equivalents at beginning of year	7	35,828	29,877
Net effect of currency translation differences		2,277	(407)
Cash and cash equivalents at end of year	7	37,716	35,828

Note A

The Group acquired property, plant and equipment with aggregate cost of approximately US\$1,398,000 (2009 : US\$1,813,000) of which US\$91,000 (2009 : US\$15,000) was acquired by means of finance leases. Cash payments of approximately US\$1,307,000 (2009 : US\$1,798,000) were made to purchase property, plant and equipment.

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended 31 December 2010

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 SGX-ST. 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 16.

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 2010 were authorised for issue by the Board of Directors on 4 May 2011.

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 Standards Interpretations Committee ("IFRS IC") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010. The adoption of these new/revised Standards and Interpretations does not result in changes to the Group's and Company's accounting policies except for IFRS 3 (2008) *Business Combinations* and IAS 27 (2008) *Consolidated and Separate Financial Statements* as disclosed below. However, the change in the accounting policies has no material effect on the amounts reported for the current or prior years.

New and revised IFRSs affecting presentation and disclosure

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. The main impact of the adoption of IFRS 3 (2008) *Business Combinations* on the group has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- to require the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the group and the acquiree; and

Notes to Financial Statements

Year ended 31 December 2010

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

- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (2008) has resulted in changes in the group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

Standards and Interpretations in issue but not yet effective

The group has not early applied the following new and revised Standards and Interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 except for the amendments to IFRSs 3 (as revised in 2008), IAS 1 and IAS 28 ¹
IFRS 7 (Amendments)	Disclosures – Transfers of financial assets ³
IFRS 9	Financial instruments ⁴
IAS 12 (Amendments)	Deferred tax : Recovery of underlying assets ⁵
IAS 24 (as revised in 2009)	Related party disclosures ⁶
IAS 32 (Amendments)	Classification of rights issues ⁷
IFRIC 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
IFRIC 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate.

² Effective for annual periods beginning on or after July 1, 2010.

³ Effective for annual periods beginning on or after January 1, 2011.

⁴ Effective for annual periods beginning on or after January 1, 2013.

⁵ Effective for annual periods beginning on or after January 1, 2012.

⁶ Effective for annual periods beginning on or after January 1, 2011.

⁷ Effective for annual periods beginning on or after February 1, 2010.

The directors of the company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Notes to Financial Statements

Year ended 31 December 2010

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

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Notes to Financial Statements

Year ended 31 December 2010

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

BUSINESS COMBINATIONS - Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- 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* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Notes to Financial Statements

Year ended 31 December 2010

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

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 are 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", "loans and receivables" and "financial assets at fair value through profit or loss" (FVTPL). 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 12. 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 and 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.

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.

Notes to Financial Statements

Year ended 31 December 2010

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

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 initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial.

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

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

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is 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.

A financial asset other than a financial asset 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 assets 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 FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are 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 dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 5.

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.

Notes to Financial Statements

Year ended 31 December 2010

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

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; or
- the disappearance of an active market for that financial assets because of financial difficulties.

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.

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.

Notes to Financial Statements

Year ended 31 December 2010

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

Financial liabilities and equity instruments

Classification as equity or debt

Equity instruments and financial liabilities 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 (FVTPL)” 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.

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 5.

Notes to Financial Statements

Year ended 31 December 2010

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

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest 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 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 currency options and foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 20 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.

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.

Notes to Financial Statements

Year ended 31 December 2010

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

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 rate	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	12.5% 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.

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 as established at the date of acquisition of the business 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. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. 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.

Notes to Financial Statements

Year ended 31 December 2010

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

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.

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 23. 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.

Notes to Financial Statements

Year ended 31 December 2010

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

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 - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other 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.

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.

Notes to Financial Statements

Year ended 31 December 2010

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

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

Notes to Financial Statements

Year ended 31 December 2010

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

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the 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.

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.

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Year ended 31 December 2010

3. AMOUNTS PAID FOR INVESTMENT PURPOSES (UNAUTHORISED)/REPAYMENTS OF AMOUNTS PAID FOR INVESTMENT PURPOSES (UNAUTHORISED)

During the course of audit of the financial statements of the Group for the year ended 31 December 2010, the auditors discovered several bank transfers of RMB30 million each, amounting to RMB210 million (equivalent to approximately US\$31 million) in aggregate, that had taken place during the period from January 2010 to December 2010 between one of the Company's subsidiaries, Crystal Display Components (Shanghai) Co., Limited ("CD Shanghai") and a company in the People's Republic of China known as Ichiban Real Estate Development (Suzhou) Co., Limited ("Ichiban") (the "Bank Transfers"). The Bank Transfers had been made by various senior executives of CD Shanghai (the "Relevant Executives of CD Shanghai") without the knowledge of the Board.

The Board had taken the following actions in relation to the Bank Transfers. The Board had:

- (a) secured the assets and accounting records of CD Shanghai;
- (b) appointed a PRC lawyer to carry out a fact finding exercise and review of what had happened;
- (c) directed the Group's internal auditors to conduct a review of all financial and banking transactions of CD Shanghai and other subsidiary companies within the Group to identify if there were any other unauthorised banking or financial transactions by any subsidiary company within the Group during the year ended 31 December 2010;
- (d) obtained and examined the relevant statements, memorandum and/or confirmations of the Relevant Executives of CD Shanghai; and
- (e) appointed a professional certified fraud examiner to review and comment on the adequacy and appropriateness of the work carried out by the Company and its Audit Committee ("AC").

Pursuant to an announcement dated 21 April 2011, the Company announced that the AC had concluded investigations on the matter.

Upon the conclusion of the investigations, the Board reached the opinion that:

- (i) there is no evidence indicating there to be any fraud committed by any persons in the Company, or that any of the directors of the Company or the senior executives of the Group had benefited from the Bank Transfers;
- (ii) it is unable to ascertain the actual purpose of the Bank Transfers as the Company does not have any legal right to access the books and financial records of Ichiban. Based on, among others, the statements given by the Relevant Executives of CD Shanghai to the PRC lawyer, the confirmations of the Relevant Executives of CD Shanghai, the PRC lawyer's reports, in particular, their finding that there is insufficient evidence that the Relevant Executives of CD Shanghai had misappropriated the funds for personal uses, the consistent stand of the Relevant Executives of CD Shanghai throughout, and that the AC has not been able to uncover any other evidence to show that the Relevant Executives of CD Shanghai had utilised the monies in the Bank Transfers for any other purpose, the Board is of the view that, in the absence of any contradictory evidence that would cast reasonable doubt on the veracity of the statements of the Relevant Executives of CD Shanghai, the Bank Transfers were probably deposit payments which were intended for investment purposes;

Notes to Financial Statements

Year ended 31 December 2010

3. AMOUNTS PAID FOR INVESTMENT PURPOSES (UNAUTHORISED)/REPAYMENTS OF AMOUNTS PAID FOR INVESTMENT PURPOSES (UNAUTHORISED) (cont'd)

- (iii) as all monies that had been remitted by CD Shanghai to Ichiban have been fully repaid to CD Shanghai, there is no financial impact or loss suffered by the Group other than the loss of interest income which is unlikely to be material. The Board is of the view that unless and until the Board obtains any credible evidence which merits a legal claim against any one and more of the Relevant Executives of CD Shanghai and any third party arising from the Bank Transfers, no recovery action will be taken by the Company or CD Shanghai against the Relevant Executives of CD Shanghai or any third party;
- (iv) in enabling the Bank Transfers to take place, the Relevant Executives of CD Shanghai had acted outside the scope of their powers and duties. The Board has taken disciplinary actions against the Relevant Executives of CD Shanghai who have breached and failed to act with proper authorisation;
- (v) save for the Bank Transfers, there are no other unauthorised banking or financial transactions by any other Group company, or by CD Shanghai to any other parties;
- (vi) in view of the written confirmations by each of the directors of the Company and the other senior executives of the Group that they do not have any relationship with Ichiban, there is no evidence of any relationship between Ichiban and any directors of the Company or senior executives of the Group. One of the senior executives of the Group (the "Relevant Senior Executive"), has informed the Board that his brother is the sole director of the parent company of Ichiban and his brother has provided a written confirmation to the Board that the Relevant Senior Executive has no interest in such parent company and that he is financially independent of the Relevant Senior Executive. The Relevant Senior Executive has also maintained in his statements to the PRC lawyer that he had no knowledge of the Bank Transfers. Save for the Relevant Executives of CD Shanghai, none of the other senior executives of the Group are involved in the Bank Transfers.

To ensure that no such unusual or similar unauthorised transactions will recur in the future, the Company has enhanced the Group's internal control processes and procedures around the transfer of funds in cash and bank balances.

Based on the Board's assessment of the Bank Transfers as stated above, the Company has reached the conclusion that the Bank Transfers were probably deposit payments for investment purposes that were paid by and have been repaid to a subsidiary of the Company, CD Shanghai, during the financial year ended 31 December 2010, and that no adjustment is required to be made in the consolidated financial statements of the Group.

Notes to Financial Statements

Year ended 31 December 2010

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the 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 2010 amounted to US\$708,000 (2009 : US\$633,000). The carrying amount of inventories is disclosed in Note 10.

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 (2009 : 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 11.

Where there are indicators of potential impairment of investments 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 16 with no impairment loss recognised for 2010 and 2009.

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 15 with no impairment loss recognised for 2010 and 2009.

Notes to Financial Statements

Year ended 31 December 2010

5. 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	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Held-to-maturity investment	980	976	—	—
Loan and receivables (including cash and cash equivalents)	62,798	56,982	18,704	18,933
Available-for-sale investments	867	955	—	—
Fair value through profit or loss - derivative financial instruments	2	—	—	—
Financial liabilities				
Fair value through profit or loss - derivative financial instruments	—	148	—	—
Amortised cost	44,102	39,911	110	199

(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 foreign exchange contracts and foreign currency option contracts to hedge the exchange rate risks arising from trade payables and firm commitments to buy 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"), Japanese Yen ("Yen") and United States ("US") Dollars and is therefore exposed to foreign exchange risk.

Notes to Financial Statements

Year ended 31 December 2010

5. 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 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Yen	209	1,569	2,673	4,471	–	–	–	–
US Dollars	23,376	17,222	15,566	15,479	–	–	–	–
HK Dollars	–	–	–	724	–	–	–	724

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	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Yen impact	246	290	–	–
US Dollars impact	(781)	(174)	–	–
HK Dollars impact	–	72	–	72

Notes to Financial Statements

Year ended 31 December 2010

5. 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)**

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	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Yen impact	(246)	(290)	–	–
US Dollars impact	781	174	–	–
HK Dollars impact	–	(72)	–	(72)

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

ii) Interest rate risk management

Certain of the Group's bank balances and fixed deposits are at variable rate and certain borrowings in Note 17 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 points 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 2010 would increase/decrease by US\$100,000 (2009 : increase/decrease by US\$130,000). 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 12.

Notes to Financial Statements

Year ended 31 December 2010

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

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

iii) Equity price risk management (cont'd)

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 year ended 31 December 2010 and 2009 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\$19,000 (2009 : increase/decrease by US\$22,000).

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

iv) Credit risk management

The Group's principal financial assets are 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 74% (2009 : 71%) 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.

Notes to Financial Statements

Year ended 31 December 2010

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**(b) Financial risk management policies and objectives (cont'd)**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 on the statements of financial position.

	Weighted average effective interest rate %	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
Group						
2010						
Non-interest bearing	–	27,476	750	–	–	28,226
Finance lease liability (fixed rate)	2.64	276	458	–	(46)	688
Variable interest rate instruments	0.88	5,976	–	–	(52)	5,924
Fixed interest rate instruments	2.12	2,734	6,727	–	(197)	9,264
Total		36,462	7,935	–	(295)	44,102
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
Total		31,629	8,472	–	(190)	39,911

Notes to Financial Statements

Year ended 31 December 2010

5. 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 US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
<u>Company</u>						
2010						
Non-interest bearing	–	110	–	–	–	110
2009						
Non-interest bearing	–	199	–	–	–	199

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 on the statements of financial position.

	Weighted average effective interest rate %	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
<u>Group</u>						
2010						
Non-interest bearing	–	23,950	1,348	674	–	25,972
Variable interest rate instruments	0.47	38,662	–	–	(182)	38,480
Total		62,612	1,348	674	(182)	64,452

Notes to Financial Statements

Year ended 31 December 2010

5. 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 US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
Group						
2009						
Non-interest bearing	–	18,443	1,382	738	–	20,563
Variable interest rate instruments	0.26	37,506	–	–	(97)	37,409
Fixed interest rate instruments	4.17	763	–	–	(39)	724
Total		56,712	1,382	738	(136)	58,696
Company						
2010						
Non-interest bearing	–	79	–	–	–	79
Variable interest rate instrument	2.00	–	18,998	–	(373)	18,625
Total		79	18,998	–	(373)	18,704
2009						
Non-interest bearing	–	163	–	–	–	163
Variable interest rate instrument	0.40	763	18,082	–	(75)	18,770
Total		926	18,082	–	(75)	18,933

Notes to Financial Statements

Year ended 31 December 2010

5. 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

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

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

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

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Year ended 31 December 2010

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**(b) Financial risk management policies and objectives (cont'd)***Financial instruments measured at fair value*

	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Group				
Financial Assets				
2010				
Available-for-sale investments:				
- Quoted equity securities	193	193	–	–
- Unquoted debt securities	674	–	674	–
Total	867	193	674	–
Derivative financial instruments	2	–	2	–
2009				
Available-for-sale investments:				
- Quoted equity securities	217	217	–	–
- Unquoted debt securities	738	–	738	–
Total	955	217	738	–
Derivative financial instruments	–	–	–	–
Financial Liabilities				
2010				
Derivative financial instruments	–	–	–	–
2009				
Derivative financial instruments	148	–	148	–

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 2010 and 2009.

Notes to Financial Statements

Year ended 31 December 2010

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

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to 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 17, cash and cash equivalents and equity, comprising share capital, reserves and retained earnings as disclosed in the Statements of changes in equity. The group is required to maintain maximum gearing in order to comply with covenants in loan agreements with banks and financial institutions.

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. The management also ensures that the group maintains certain security ratios in order to comply with the loan covenants imposed by banks and financial institutions. 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 2009. The group is in compliance with externally imposed capital requirements for financial years ended 31 December 2010 and 2009.

6. 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	
	2010 US\$'000	2009 US\$'000
Support and marketing services received	–	20

Compensation of directors and key management personnel

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

	Group	
	2010 US\$'000	2009 US\$'000
Short-term benefits	2,623	2,626
Share-based payments	–	94
	2,623	2,720

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

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Year ended 31 December 2010

7. CASH AND BANK BALANCES

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Cash at bank	26,462	31,363	79	163
Fixed deposits	11,960	5,957	–	–
Cash on hand	58	89	–	–
	38,480	37,409	79	163
Less: Pledged bank deposits	(764)	(1,581)	–	–
Cash and cash equivalents in the statement of cash flows	37,716	35,828	79	163

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\$764,000 (2009 : US\$1,581,000) were placed as security for banking facilities. The Group did not utilise such banking facilities as at 31 December 2010 and 2009.

Fixed deposits earn an average interest rate of 1.02% (2009 : 0.51%) per annum and the tenure generally ranged from 30 days to 90 days for Yen deposits (2009 : 30 days to 90 days); 30 days for HK Dollars deposits (2009 : 30 days); 30 days for US Dollars deposits (2009 : Nil) and 90 days for RMB deposits (2009 : Nil). There is insignificant cost involved in converting these fixed deposits to cash and cash equivalents.

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

	Group	
	2010 US\$'000	2009 US\$'000
US Dollars	3,814	6,790
Yen	2,152	4,092

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Year ended 31 December 2010

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Trade receivables	23,594	18,162	–	–
Other receivables	356	280	–	–
Loan receivable	–	724	–	724
Tax recoverable	7	7	–	–
Deposits	368	407	–	–
Prepayments	961	767	27	26
Value-added tax recoverable	124	57	–	–
	25,410	20,404	27	750

The average credit period on sale of goods is 60 days (2009 : 60 days). No interest is charged on the trade receivables.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US\$2,262,000 (2009 : US\$1,336,000) 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 in 2009 arose from the investment in a convertible loan to the borrower. The borrower has repaid a cumulative amount of US\$1,638,000 (2009 : US\$903,000) as at the end of the reporting period and all outstanding amount was fully settled.

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

	Group	
	2010 US\$'000	2009 US\$'000
Less than 30 days overdue	2,141	1,015
30 to 60 days overdue	107	125
Over 60 days overdue	14	196
	2,262	1,336

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	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
US Dollars	11,752	8,689	–	–
Yen	521	379	–	–
HK Dollars	–	724	–	724

Notes to Financial Statements

Year ended 31 December 2010

9. PREPAID LEASE PAYMENTS

The prepaid lease payments comprise:

	Group	
	2010 US\$'000	2009 US\$'000
Leasehold land in the PRC:		
Long-term lease	465	462
Analysed for reporting purposes as		
Current portion	9	9
Non-current portion	456	453
	465	462

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

10. INVENTORIES

	Group	
	2010 US\$'000	2009 US\$'000
Raw materials	3,429	3,644
Work-in-progress	1,290	1,183
Finished goods	5,450	3,657
	10,169	8,484

The above amounts represent cost less allowance for impairment in recoverable amount of inventories. Allowances for inventories (Note 32) are made for the full amount of inventories with poor sales prospects.

11. GOODWILL

	Group	
	2010 US\$'000	2009 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.

Notes to Financial Statements

Year ended 31 December 2010

11. GOODWILL (cont'd)

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next financial year and extrapolates cash flows for the following four years based on an estimated negative growth rate for the second to third year of 7% and 5% for fourth to fifth year. The Group also estimates a terminal value assuming no growth beyond this period.

The rate used to discount the forecast cash flows to net present value is 9% (2009 : 9%) per annum.

12. INVESTMENTS

	Group	
	2010	2009
	US\$'000	US\$'000
Available-for-sale investments:		
Quoted equity securities, at fair value (Note A)	193	217
Unquoted debt securities, at fair value (Note C)	674	738
	867	955
Held-to-maturity investment (Note D)	980	976
Total	1,847	1,931

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 loss US\$62,000 (2009 : gain US\$92,000) were recognised in other comprehensive income.

- (B) In making its judgement 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\$674,000 (2009 : US\$738,000) have no interest for the year (2009 : Nil) and will mature in October 2035.

Impairment loss on unquoted available-for-sale debt securities charged to profit or loss amounted to US\$153,000 (2009 : US\$18,000).

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

Notes to Financial Statements

Year ended 31 December 2010

12. INVESTMENTS (cont'd)

- (D) As at 31 December 2010 and 2009, 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.

13. OTHER ASSETS

	Group	
	2010 US\$'000	2009 US\$'000
Directors' insurance	101	59
Rental deposit	503	459
	604	518

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.

14. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary (Note 16) is non-trade in nature, unsecured and earns interest at 2% (2009 : 0.2%) 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.

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Year ended 31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings US\$'000	Plant and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Leasehold improvements US\$'000	Motor vehicles US\$'000	Total US\$'000
Group						
Cost:						
At 1 January 2009	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
Additions	22	994	161	70	151	1,398
Disposal	–	(607)	(173)	(63)	(197)	(1,040)
Exchange differences	593	640	337	412	24	2,006
Acquired on acquisition of a subsidiary (Note 36)	–	549	60	140	–	749
At 31 December 2010	11,870	18,305	6,477	9,338	915	46,905
Accumulated depreciation:						
At 1 January 2009	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
Depreciation	465	1,585	629	578	119	3,376
Eliminated on disposals	–	(291)	(163)	(48)	(161)	(663)
Exchange differences	76	432	232	255	16	1,011
At 31 December 2010	1,831	10,927	4,837	6,292	601	24,488
Carrying amount:						
At 31 December 2010	10,039	7,378	1,640	3,046	314	22,417
At 31 December 2009	9,965	7,528	1,953	3,272	310	23,028

The carrying amount of the Group's property, plant and equipment includes an amount of US\$1,240,000 (2009 : US\$1,223,000) in respect of assets held under finance leases (Note 19).

Notes to Financial Statements

Year ended 31 December 2010

16. SUBSIDIARIES

	Company	
	2010 US\$'000	2009 US\$'000
Unquoted equity shares, at cost	9,642	9,642
Recognition of share-based payments	1,093	1,093
	10,735	10,735

In 2009, deemed additional investment of US\$111,000 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		Principal activity
		2010 %	2009 %	
Held by the Company				
Tomoike Industrial (Hong Kong) Holding Limited ⁽¹⁾⁽²⁾ ("TM Hong Kong BVI")	British Virgin Islands	100	100	Investment holding
Held by TM Hong Kong BVI				
Tomoike Industrial (H.K.) Limited ⁽²⁾ ("TM Hong Kong")	Hong Kong 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

Notes to Financial Statements

Year ended 31 December 2010

16. SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2010 %	2009 %	
Held by TM Hong Kong				
Tomoike Industrial Co., Limited ⁽³⁾ ("TM Japan")	Japan	100	100	Manufacturing of LCD backlight units for LCD module. Manufacturing and trading of parts and precision accessories for office equipment, electrical appliances and LCD module
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
S.M.T Assembly Limited ⁽²⁾ ("SMT")	Hong Kong	72	–	Provision of surface mounting technique services in electronics product assembly
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 WH 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 for statutory purposes 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.

Notes to Financial Statements

Year ended 31 December 2010

17. BANK AND OTHER BORROWINGS

	Group	
	2010 US\$'000	2009 US\$'000
Bank loans - unsecured	11,924	12,452
Corporate bonds - unsecured	3,264	3,241
Total	15,188	15,693
The bank borrowings are repayable as follows:		
Within one year	8,174	8,452
In the second year to fifth year	3,750	4,000
	11,924	12,452
The corporate bonds are repayable as follows:		
Within one year	417	367
In the second year	2,847	2,874
	3,264	3,241
Total bank and other borrowings	15,188	15,693
Less: Amount due for settlement within 12 months (shown under current liabilities)	(8,591)	(8,819)
Amount due for settlement after 12 months (shown under non-current liabilities)	6,597	6,874

As at 31 December 2010 and 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

Bank and other borrowings amounted to US\$5,924,000 (2009: US\$11,373,000) are unsecured and carry variable interest rates quoted by the banks with reference to their cost of fund rates.

Bank and other borrowings amounted to US\$9,264,000 (2009: US\$4,320,000) are unsecured and carry at fixed interest rates.

The average effective interest rate for the Group's bank loans is 0.99% (2009 : 1.05%) per annum.

Management considers the carrying values of the Group's borrowings to approximate their fair values.

Notes to Financial Statements

Year ended 31 December 2010

17. BANK AND OTHER BORROWINGS (cont'd)

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

	Group	
	2010 US\$'000	2009 US\$'000
US Dollars	11,515	10,172
Yen	–	1,199

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Trade creditors	23,207	19,294	–	–
Accruals	1,656	1,626	–	–
Other payables	2,697	1,992	110	199
	27,560	22,912	110	199

The average credit period on purchases of goods is ranged from 30 days to 120 days (2009 : 30 days to 120 days).

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

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

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
US Dollars	11,861	7,050	–	–
Yen	209	370	–	–

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19. FINANCE LEASES

	Minimum lease payments		Group Present value of minimum lease payments	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts payable under finance leases:				
Within one year	276	232	257	220
In the second to fifth year inclusive	458	347	431	325
	734	579	688	545
Less: Future finance charges	(46)	(34)	N/A	N/A
Present value of lease obligations	688	545	688	545
Less: Amount due for settlement within 12 months (shown under current liabilities)			(257)	(220)
Amount due for settlement after 12 months (shown under non-current liabilities)			431	325

The effective borrowing rates ranged from 1.50% to 7.23% (2009 : 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 15).

20. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2010 US\$'000	2009 US\$'000
<u>Assets (Current)</u>		
Foreign currency option contracts (Note A)	2	–
	2	–
<u>Liabilities (Current)</u>		
Foreign currency option contracts (Note A)	–	90
Forward foreign exchange contracts (Note B)	–	58
	–	148

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Year ended 31 December 2010

20. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Notes:

(A) Foreign currency option contracts

The Group entered into foreign currency option contracts with banks to manage its foreign exchange exposures. Under the option 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 November 2010 to January 2011 (2009 : 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	
	2010 US\$'000	2009 US\$'000
Foreign currency options	182	3,888

The net of the fair value change of the above outstanding options amounting to US\$92,000 (2009 : US\$90,000) have been credited/charged in profit or loss.

(B) Forward foreign exchange contracts

The Group utilises forward foreign exchange contract to sell US Dollars to manage its foreign exchange exposures against Yen. In 2009, 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	
	2010 US\$'000	2009 US\$'000
Forward foreign exchange contracts	—	2,310

Changes in fair value of the above outstanding contracts amounting to US\$58,000 (2009 : US\$58,000) have been credited in profit or loss.

21. RETIREMENT BENEFIT OBLIGATION

TM Japan maintains a defined benefit plan for its directors. The expense for the year amounted to approximately US\$169,000 (2009 : US\$160,000) has been charged in profit or loss.

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.

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Year ended 31 December 2010

22. DEFERRED TAX

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

	Accelerated tax depreciation US\$'000	Temporary difference relating to held-to- maturity investment US\$'000	Directors' insurance US\$'000	Retirement benefit obligations US\$'000	Withholding tax on undistributed earnings of subsidiaries US\$'000	Others US\$'000	Total US\$'000
Group							
At 1 January 2009	(262)	(878)	(72)	291	(124)	267	(778)
Exchange differences	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 33)	(10)	22	58	42	(193)	(14)	(95)
At 31 December 2009	(266)	(835)	(12)	326	(317)	209	(895)
Exchange differences	(34)	(99)	(1)	40	–	33	(61)
Credit to other comprehensive income for the year	–	–	–	–	–	27	27
Credit (Charge) to profit or loss for the year (Note 33)	21	190	(4)	(66)	(114)	57	84
At 31 December 2010	(279)	(744)	(17)	300	(431)	326	(845)

23. 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 SGX-ST 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

Notes to Financial Statements

Year ended 31 December 2010

23. SHARE-BASED PAYMENTS (cont'd)

Equity-settled share option scheme (cont'd)

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

Date of grant	Group and Company						
	Balance at 1 January 2010	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2010	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	–	–	(1,464,000)	19,032,000		

* 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 all 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. The remaining 1,464,000 unexercised share options were lapsed in 2010.

The number of share options exercisable at the end of the year amounted to 19,032,000 (2009 : 20,496,000).

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 2.4 years (2009 : 3.4 years).

The fair values for share options granted were calculated using the valuation model. The inputs into the model were as follows:

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

Expected volatility was determined by calculating the historical volatility of the Company's share price from 1 July 2006 to 11 June 2008. 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 did not recognised any expenses (2009 : US\$111,000) related to equity-settled share-based payment during the year.

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24. SHARE CAPITAL

	Group and Company			
	2010	2009	2010	2009
	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	504,354,221	505,505,221	10,087	10,110
Cancellation of purchased shares under Shares Purchase Mandate	–	(1,151,000)	–	(23)
At the end of the year	504,354,221	504,354,221	10,087	10,087

In 2010, none (2009 : 820,000) of ordinary shares includes in above shares which had been purchased on the SGX-ST under the Shares Purchase Mandate and were treated as treasury shares (Note 25).

25. TREASURY SHARES

In 2009, the Company acquired 820,000 of its own shares through purchases on the SGX-ST under the Shares Purchase Mandate. The total amount paid to acquire the shares was US\$33,000 and had been deducted from shareholders' equity. These shares are held as Treasury shares, which have no rights to dividends.

26. MERGER RESERVE, RESERVE FUND, ENTERPRISE EXPANSION RESERVE AND OTHER RESERVESMerger 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.

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27. REVENUE

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

28. SEGMENT INFORMATION

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

Products and services from which reportable segments derive their revenues

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is 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 |

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28. SEGMENT INFORMATION (cont'd)

Information regarding the Group's reportable segments is presented below.

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
2010					
REVENUE					
External sales	63,856	26,245	31,754	–	121,855
Inter-segment sales	39	3,904	3,528	(7,471)	–
Total revenue	63,895	30,149	35,282	(7,471)	121,855
RESULTS					
Segment results	2,880	2,646	1,296	–	6,822
Unallocated corporate expenses					(2,109)
Operating profit					4,713
Finance costs					(315)
Interest income					164
Profit before tax					4,562
Income tax expense					(1,137)
Profit for the year					3,425
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 result	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

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.

Notes to Financial Statements

Year ended 31 December 2010

28. 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
2010					
ASSETS					
Segment assets	35,971	19,462	42,263	(865)	96,831
Unallocated assets					4,079
Consolidated total assets					<u>100,910</u>
LIABILITIES					
Segment liabilities	10,642	6,679	10,809	(865)	27,265
Bank and other borrowings and finance leases					15,876
Unallocated liabilities					2,273
Consolidated total liabilities					<u>45,414</u>
OTHER INFORMATION					
Capital expenditure	138	452	808	—	1,398
Depreciation of property, plant and equipment	921	446	2,009	—	3,376
Allowance for inventories	189	81	436	—	706
Amortisation of prepaid lease payments	—	—	11	—	11
2009					
ASSETS					
Segment assets	32,619	17,329	41,442	(2,523)	88,867
Unallocated assets					4,885
Consolidated total assets					<u>93,752</u>
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					<u>41,383</u>
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

Notes to Financial Statements

Year ended 31 December 2010

28. 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	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Hong Kong	41,967	28,936	1,186	1,335
PRC	59,480	58,477	17,501	18,062
Japan	20,254	19,604	6,204	6,059
Others	154	293	–	–
Total	121,855	107,310	24,891	25,456

* Based on locations of external customers.

Information about major customers

In the year ended 31 December 2010, revenue from one key customer which has transactions with all segments accounted for 70% (2009 : 70%) of total revenue.

29. OTHER INCOME

	Group	
	2010 US\$'000	2009 US\$'000
Gain on disposal of scrap material	282	252
Interest income from bank deposits	164	222
Sales of moulds	137	–
Sub-contracting income	115	–
Sundry income	223	148
	921	622

Notes to Financial Statements

Year ended 31 December 2010

30. ADMINISTRATIVE EXPENSES

	Group	
	2010	2009
	US\$'000	US\$'000
Employee-related expenses	13,622	14,193
Utilities and office expenses	1,652	1,480
Travelling and entertainment	1,598	1,406
Professional fees	1,427	1,766
Rental expenses	1,235	1,475
Depreciation of property and equipment	957	1,098
Miscellaneous	1,084	619
Total administrative expenses	21,575	22,037

31. FINANCE COSTS

	Group	
	2010	2009
	US\$'000	US\$'000
Interest expenses to non-related companies	315	290

Notes to Financial Statements

Year ended 31 December 2010

32. PROFIT BEFORE TAX

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

	Group	
	2010	2009
	US\$'000	US\$'000
Depreciation of property, plant and equipment	3,376	3,750
Amortisation of prepaid lease payments	11	11
Directors' remuneration	1,479	1,524
<u>Employee benefits expense</u> (including Directors' remuneration)		
Post employment benefits:		
- Defined contribution plans	2,268	2,256
- Defined benefit plan	169	160
Share-based payments:		
- Equity settled share-based payments	—	111
Other employee benefits expense	22,983	21,516
Total employee benefits expense	25,420	24,043
Audit fees:		
- Auditors of the Company	42	38
- Other auditors	353	353
Total Audit fees	395	391
Non-audit fees:		
- Auditors of the Company	—	—
- Other auditors	5	5
Allowance for inventories	706	633
Inventories recognised as expense	94,226	81,972
Loss on disposal of property, plant and equipment	46	167
Net foreign currency exchange loss (gain)	580	(75)
Changes in fair value of derivative financial instruments, recorded under administrative expenses	(150)	148
Impairment loss on available-for-sale investments, recorded under administrative expenses	153	18

Notes to Financial Statements

Year ended 31 December 2010

33. INCOME TAX EXPENSE

	Group	
	2010	2009
	US\$'000	US\$'000
Current tax	1,173	972
Underprovision of current tax in prior years	48	230
Deferred tax (credit) expense (Note 22)	(84)	95
	<u>1,137</u>	<u>1,297</u>

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% (2009 : 16.5%), the Japan tax rate of 41.7% (2009 : 41.7%) and the tax rates in different locations in PRC ranging from 22% to 25% (2009 : 20% to 25%) to profit before tax, as a result of the following:

	Group	
	2010	2009
	US\$'000	US\$'000
Profit before tax	<u>4,562</u>	<u>1,558</u>
Tax at the domestic rates applicable to profits in the country concerned	1,078	709
Tax effect of expenses not deductible for tax purpose	123	303
Utilisation of temporary differences previously not recognised	(329)	(103)
Tax effect of exemptions granted to PRC subsidiaries	(47)	(132)
Tax effect of unused tax losses and tax offsets not recognised	150	97
Underprovision in prior years	48	230
Deferred tax impact on undistributed earnings	114	193
Total income tax expense	<u>1,137</u>	<u>1,297</u>

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.

At the end of the reporting period, the Group has unutilised tax losses of US\$5,800,000 (2009 : US\$4,200,000) 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.

Notes to Financial Statements

Year ended 31 December 2010

34. DIVIDENDS

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 2010, a final dividend of 0.3 US cents per share (total dividend : US\$1,511,000) in respect of 2009 and an interim dividend of 0.3 US cents per share (total dividend : US\$1,510,000) in respect of 2010 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 15 June 2011. This dividend is subject to approval by shareholders at the AGM to be held on 31 May 2011 and has not been included as a liability in the financial statements. Based on the number of ordinary shares as at 31 December 2010, the total estimated dividend to be paid is US\$1,511,000.

35. 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	
	2010	2009
	US\$'000	US\$'000
Profit attributable to owners of the Company	3,447	261

Number of Shares

	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	503,534	504,081
Effect of dilutive share options	2,603	–
Weighted average number of ordinary shares for purpose of diluted earnings per share	506,137	504,081

The weighted average number of ordinary shares for the purposes of basic earnings per share excludes treasury shares which had been purchased on the SGX-ST under the Shares Purchase Mandate (Note 25).

In 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.

Notes to Financial Statements

Year ended 31 December 2010

36. ACQUISITION OF A SUBSIDIARY

Subsidiary acquired in 2010	Principal activities	Proportion of shares acquired %	Cost of acquisition US\$'000
SMT	Provision of surface mounting technique services in electronics product assembly	72%	129

Assets acquired and liabilities assumed at the date of acquisition:

	US\$'000
Non-current assets	
Plant, machinery and equipment	749
Current assets	
Cash and cash equivalents	68
Trade and other receivables	326
Inventories	24
Current liabilities	
Trade and other payables	(713)
Current portion of finance leases	(110)
Non-current liabilities	
Finance leases	(165)
Net assets acquired	179
Non-Controlling interests	(50)
Total cost of acquisition	129

The acquisition of SMT was paid in cash:

Net cash outflow arising on acquisition:	US\$'000
Cash consideration paid	129
Less: Cash and cash equivalents acquired	(61)
	68

Management is of the view that as the acquisition of a subsidiary is not significant, the required disclosures under IFRS 3 *Business Combinations* are not necessary.

Notes to Financial Statements

Year ended 31 December 2010

37. COMMITMENTS(i) Operating lease commitments

	Group	
	2010	2009
	US\$'000	US\$'000
Minimum lease payments under operating leases recognised as an expense for the year	2,460	2,320

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

	Group	
	2010	2009
	US\$'000	US\$'000
Future minimum lease payments payable:		
Within one year	1,367	1,548
In the second to fifth years inclusive	1,565	1,623
Total	2,932	3,171

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	
	2010	2009
	US\$'000	US\$'000
Commitments for acquisition of property, plant and equipment:		
Contracted for but not provided	22	10

Statistics of Shareholdings

As at 7 April 2011

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.30	2,000	0.00
1,000 - 10,000	663	39.53	2,993,000	0.59
10,001 - 1,000,000	983	58.62	84,791,000	16.84
1,000,001 and above	26	1.55	415,748,221	82.57
Total	1,677	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	48,208,000	9.57
3.	DMG & Partners Securities Pte Ltd	37,248,221	7.40
4.	DBS Vickers Securities (S) Pte Ltd	27,365,000	5.43
5.	OCBC Securities Private Ltd	8,425,000	1.67
6.	UOB Kay Hian Pte Ltd	6,814,000	1.35
7.	Phillip Securities Pte Ltd	6,202,000	1.23
8.	Ng Hwee Koon	4,800,000	0.95
9.	Ang Yu Seng	4,714,000	0.94
10.	Kim Eng Securities Pte. Ltd.	4,334,000	0.86
11.	Ong Peng Koon Gilbert	3,541,000	0.70
12.	Lim & Tan Securities Pte Ltd	2,996,000	0.59
13.	Mayban Nominees (S) Pte Ltd	2,700,000	0.54
14.	DBS Nominees Pte Ltd	2,105,000	0.42
15.	Tan Chong Hoe	2,000,000	0.40
16.	Armstrong Industrial Corporation Limited	1,700,000	0.34
17.	Chian Shian Ann @ Chiam Yeow Ann	1,632,000	0.32
18.	Wong Kien Chorn	1,600,000	0.32
19.	Lim Buan Hua	1,561,000	0.31
20.	Chua Kok Peng	1,415,000	0.28
Total		409,040,221	81.22

Statistics of Shareholdings

As at 7 April 2011

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

As at 7 April 2011, 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 7 April 2011

(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.	50,024,000	9.92	—	—
Martin Currie Ltd ⁽²⁾	—	—	50,024,000	9.92
Martin Currie Holdings Ltd ⁽²⁾	—	—	50,024,000	9.92
Martin Currie Investment Management Ltd ⁽²⁾	—	—	50,024,000	9.92
Martin Currie Inc ⁽²⁾	—	—	50,024,000	9.92

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 50,024,000 shares directly interested by The China Fund, Inc.

PUBLIC FLOAT

As at 7 April 2011, 38.49% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CDW Holding Limited ("the Company") will be held at Prince 2, Level 13, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632 on Tuesday, 31 May 2011 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Audited Financial Statements of the Company for the year ended 31 December 2010 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 2010 (2009: Final dividend of 0.3 US cents per ordinary share (tax not applicable)). **(Resolution 2)**
3. (i) To re-elect the following Directors of the Company retiring pursuant to Bye-law 104 of the Bye-laws of the Company:

Mr YOSHIMI Kunikazu **(Resolution 3)**

Mr NG Wai Kee **(Resolution 4)**

Mr Ng Wai Kee will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees and will be considered independent.
- (ii) To note that Mr Wong Chak Weng will be retiring pursuant to By-law 104 of the Bye-laws of the Company and he will not be seeking re-election at this Annual General Meeting.
4. To approve the payment of Directors' fees of S\$400,000 for the year ending 31 December 2011 (2010: S\$220,000). **(Resolution 5)**
5. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
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 Instrument made or granted by the Directors of the Company while this Resolution was in force,

Notice of Annual General Meeting

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 to 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 manner of 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 the exercise of 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) 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
- (4) 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 7)

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

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

(Resolution 8)

By Order of the Board

Tan San-Ju
Secretary
Singapore
6 May 2011

Notice of Annual General Meeting

Explanatory Notes:

- (i) The Ordinary Resolution 7 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.

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.

- (ii) The Ordinary Resolution 8 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

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