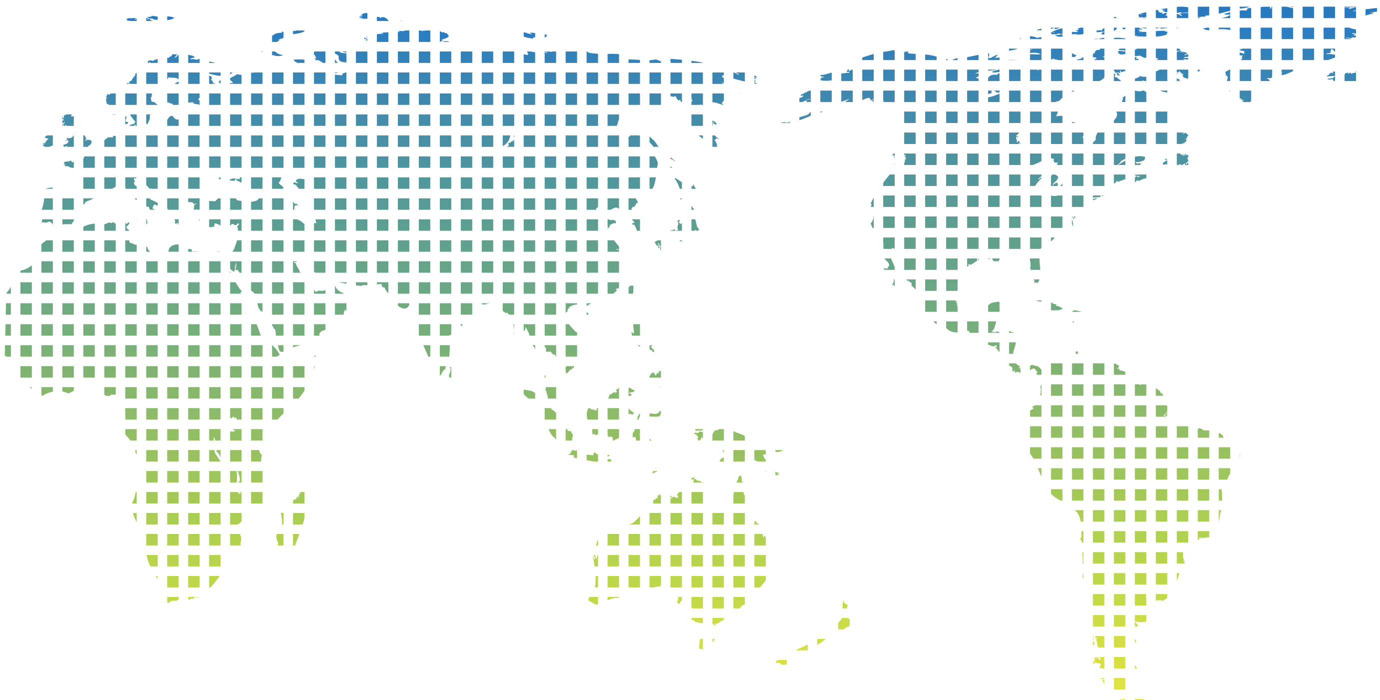
CDW Holding Limited



Maintaining Focus

ANNUAL REPORT 2012

A Reliable Outsourcing Partner with Japanese Precision

日本の技術力と信頼性を世界へ

With an eagle-eyed focus on producing higher margin, popular consumer electronics, while expanding prudently and managing costs, we are on the right course for long-term sustainable growth. That's Sound Strategy.

Contents

Corporate Profile

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

Our Products

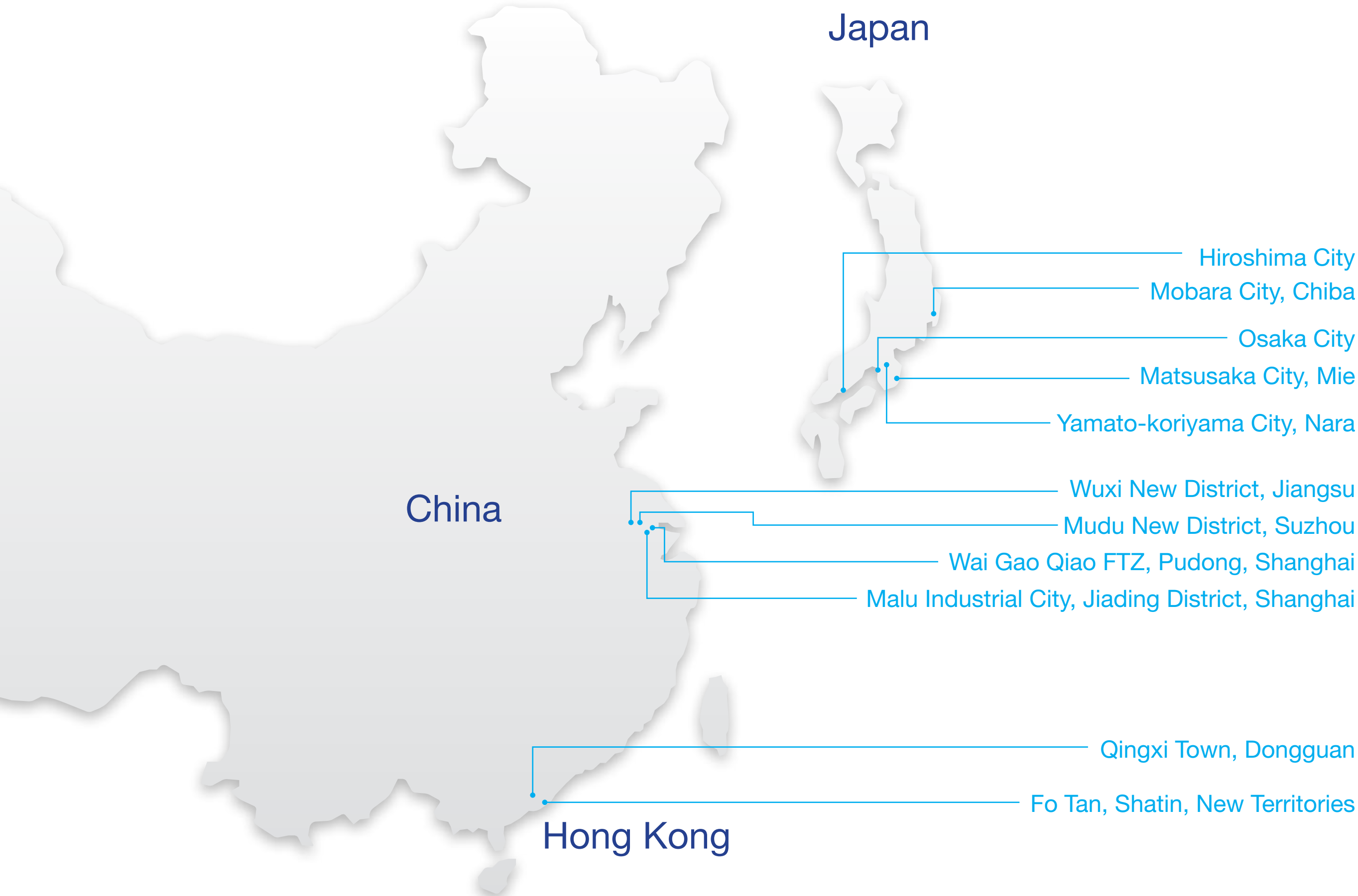
Applications

LCD Backlight Units

LCD Parts and Accessories

Office Automation

Our Production Centres & Offices




Tomoike Precision Machinery (Dongguan) Co., Limited


Crystal Display Components (Suzhou) Co., Limited

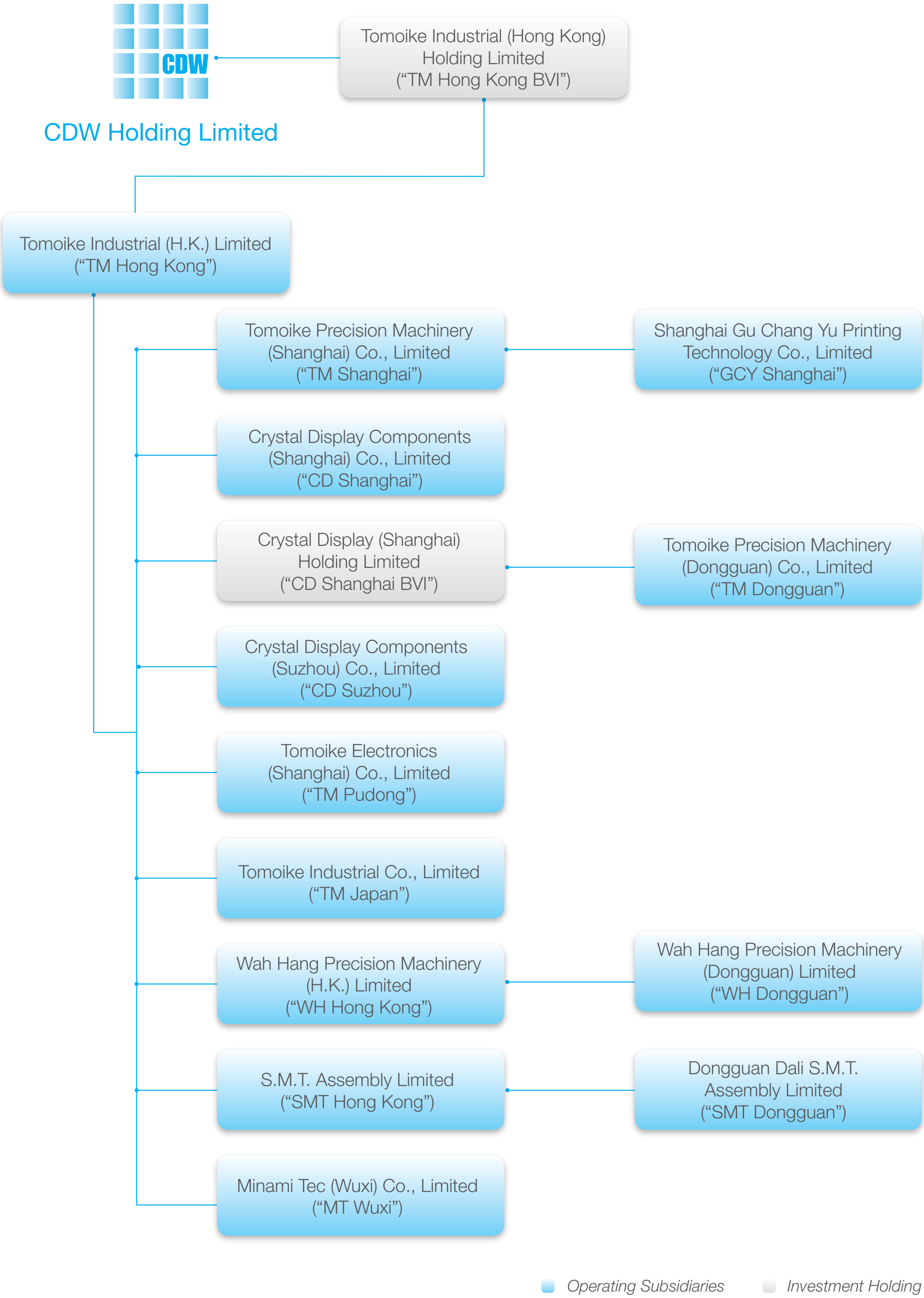

Tomoike Precision Machinery (Shanghai) Co., Limited

Crystal Display Components (Shanghai) Co., Limited


Tomoike Electronics (Shanghai) Co., Limited


Tomoike Industrial 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.

1993

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

1996

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

2001

CD Shanghai commenced production of LCD Backlight Units for colour mobile phones.

2002

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

2003

The Group established TM Pudong to perform the processing functions of precision components for our LCD Parts and Accessories business.

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.

Corporate Milestones

2006

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

2007

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

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

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.

2009

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

2010

The Group acquired 72% equity interest in SMT Hong Kong, a company specialising in the provision of surface mounting technique services in electronics production assembly.

2011

SMT Dongguan and GCY Shanghai were established in order to secure and enhance the business of the Group.

The Group increased equity interest from 72% to 86% in SMT Hong Kong.

2012

Mr Urano succeeded as Chairman and CEO from our founder, Mr Yoshimi, and formed new board.

Disposal by CD Suzhou of its factory premises approved at SGM by shareholders in October.

Letter to Shareholders

"Over Financial Year 2012, we booked revenue growth of 13.5%, from US$173.1 million in FY2011 to US$196.4 million in the year in review. This was primarily due to the Group securing significant orders for new products, allowing us to realise economies of scale."

URANO Koichi

Dear Shareholders,

It has been a year since I assumed the position of Chairman and Chief Executive Officer from Mr Yoshimi Kunikazu and it has indeed been a busy and productive one, not only for me but for the Group. We have further deepened our strategic customer relationships, securing significant new orders over the year, streamlined our China operations and strengthened our marketing and research and development ties with our Japanese partners.

Amid this competitive landscape, we have held a steady focus and continued developing our niche as a precision components specialist focused on consumer electronics. Our growth strategy of targeting high value, popular consumer electronic products with strong order visibility, stable order flow and steady margins, have stood us in good stead. Over Financial Year 2012, we booked revenue growth of 13.5%, from US$173.1 million in FY2011 to US$196.4 million in the year in review. This was primarily due to the Group securing significant orders for new products, allowing us to realise economies of scale.

Our LCD Backlight Units segment remained our chief revenue driver, contributing about two-thirds of Group sales. This was mainly due to the commencement in 2Q12 of mass production orders of LCD Backlight Units for a new gameset model, in which we are the key supplier in the wake of a reduction in the number of suppliers. Our LCD Parts and Accessories business also generated robust growth of about 35.4% year-on-year, mainly attributable to the mass production of LCD parts for a new tablet from the late 2Q12. In addition, we successfully leveraged on our close relationships with Japanese optical sheet manufacturers and strengthened our protective film business. On the flip side, our Office Automation business registered a decline in sales due to weak Japanese demand and the phasing out of some old models in China. All in, with improved sales over the year, Group gross profits strengthened while gross profit margin expanded 3.3% points to 23.4%. Net profits, as a result, expanded by 142.6% to US$11.4 million in the year in review, from US$4.7 million in the previous corresponding period.

These strong results and financial position are reflected in our per share data. CDW booked earnings per share, fully diluted, of 2.39 US cents in FY2012, a gain of 1.45 US cents as compared to earnings per share of 0.94 US cents in FY2011. Net asset value per ordinary share at financial year-end 31 December 2012 was 13.69 US cents, an increase of 1.56 US cents compared to a net asset value of 12.13 US cents in the prior year.

During the year, with Board authority to carry out share buyback activity in the interest of shareholders, CDW undertook concerted share buybacks as its share price was substantively below the net asset value per share. In sum over FY2012, CDW purchased 24,670,000 shares.

Recognising the support of our shareholders, we are recommending a final dividend of 0.7 US cents per ordinary share to be approved at the upcoming Annual General Meeting. With an interim dividend of 0.5 US cents per ordinary share, the fully-year dividends, if approved, will total 1.2 US cents per ordinary share. This compares favourably with a total full-year dividend of 0.7 US cents for FY2011.

Maintaining Focus

Leveraging on our strong business networks in China, Japan and Hong Kong, we maintained focus on our core competencies, kept a vigilant watch over our expenses and sought to improve our position in a fundamentally changed supplier landscape, with fewer competitors, coupled with robust competition among consumer electronic companies and ever shorter product cycles. With such efforts, we saw a steadily improving revenue trajectory over every consecutive quarter in the year in review. This is no mean feat and one I would venture to suggest is a reflection of our focus and agility against an uncertain global economic environment and the competitive cyclical industry of consumer electronics.

Aside from steady revenue expansion, we were able to secure significantly higher operating margins for our two largest business segments, LCD Backlight Units and LCD Parts and Accessories. Together, they accounted for almost 90% of Group sales over the year in review. These higher operating margins are partly due to us enjoying economies of scale, as mentioned earlier.

Outlook and Strategy

Given the cyclical nature of consumer electronics and their short life span, we must be cautious venturing forward. At the start of the new year, the Group has already witnessed a slowdown in orders, which could dampen our business growth in the first half of FY2013. Nevertheless, we will press on with our marketing, constantly seek new opportunities and hope for a gradual recovery in orders as the year progresses.

Seeking Opportunities, Maximising Advantage

Despite heightened competition, we detect opportunities in the thin LCD Backlight Units area. With our experience in developing and producing such advanced technology, we have an advantage that we can use to extend our market reach to manufacturers in the high-end consumer electronic market in China. Meanwhile, we will also continue building on our research and development capabilities in Japan and work with existing customers to develop new models. Increasing our value-add in this way as a business partner is vital in the long-run for the Group. In addition, we aim to continue leveraging on our relationships with Japanese partners for their protective film.

During the year, CDW continued to engage in vertical integration. As such, CDW acquired 100% equity interest in Minami Tec (Wuxi) Co., Limited ("MT Wuxi"), for a total of approximately US$0.2 million. Registration was completed in January 2013. This is a bargain purchase, considering the unaudited net tangible asset value of MT Wuxi as at 30 November 2012 was approximately US$2.5 million. MT Wuxi specialises in the provision of plastic injection for electronic consumer products and automobiles. This important acquisition will enhance the plastic injection capabilities of CDW, enabling us to offer a wider suite of services to customers. MT Wuxi could also introduce their customers to CDW, allowing us to expand our customer base. We are also seeking ways to use our existing technical know-how to expand the business in other industries in which a similar production process is adopted.

In summary, CDW is actively exploring investments in related industries and in other non-related industries. Should there be a suitable opportunity in the best interest for CDW, the Board will move ahead to seize them and seek shareholders' approval where appropriate.

Managing Risk

As we seek to develop our business, customer diversification will be critical in lowering business risk and securing long-term sustainable growth. Along these lines, we aim not only to widen our pool of customers in the electronic space but also seek new partners in other industries.

Functioning in a dynamic market environment, we must remain aware of the wider challenges that confront us. These include the strong Chinese Renminbi, coupled with increasing labour costs, persistent inflation and tightening labour supply in China. Our manufacturing facilities are mainly located there where most of the operating expenses are denominated in Chinese Renminbi. Such overarching concerns will have to be managed with flexibility. Along these lines, we will continue conducting regular reviews of operating costs, undertake production process re-engineering and active inventory management.

As for currency risk, in this period of currency volatility, we will mitigate such risk through the use of currency forward and options contracts out of our Hong Kong base. Currently, the weakening Japanese Yen will benefit operations in China as the purchase of raw materials are denominated in Japanese Yen while sales are denominated in US Dollars.

Letter to Shareholders

We will also minimise financing costs where possible like through the refinancing of loans at lower interest rate and maintaining a healthy cash position. In FY2012, our cash and cash equivalents were US$53.3 million at financial year-end 31 December, an improvement over FY2011 where cash and cash equivalents were US$45.5 million. This cash reserve will stand us in good stead for any possible expansion plans or acquisitions.

Streamlining Operations

Following on from the Chinese local government's Mu Du town urbanisation plans and consequent land acquisition exercise which will encompass the premises where CD Suzhou is located, we have concluded the sale of our land and production plant to the government for about SG$10.98 million. We have also decided to terminate the metal stamping operations in the third quarter of 2013 to prepare for the hand-over of the land. This metal-stamping plant had been experiencing high fixed costs, dwindling orders from its third-party customers, and was loss-making in FY2011 and FY2012.

Changes to the Board

CDW's Board has undergone much change in composition over the year. First of all, we had the retirement of former Chairman and Chief Executive Officer Mr Yoshimi Kunikazu. On behalf of the Board, we would like to thank him for his leadership and contributions. With the solid foundation he established, we were able to secure a good result for FY2012. We also witnessed the retirement in May 2012 of Independent Director Mr Ho Yew Mun. We would also like to thank him for his contributions. Among other things, he held numerous appointments including the Chairmanship of the Nominating Committee.

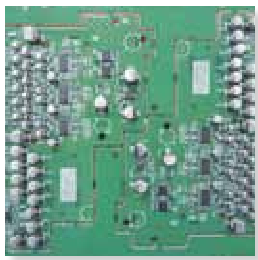
To face the challenge ahead, the Group's strength is further augmented by the change in the Board in the year in review, particularly, the new Chairmen of the Nominating Committee and the Remuneration Committee, respectively Mr Mitani Masatoshi and Mr Chong Pheng, as well as Mr Kiyota Akihiro as Chief Operating Officer and Mr Ochi Shinichi as Executive Director.

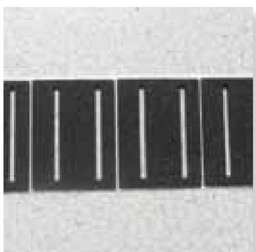
Conclusion

Entering 2013, we will not only aim to strengthen our business networks and manage expenses, we should also seek to increase our value-add to our partners. Flexibility in strategy and vigilance in running our Group operations will be key factors in driving our growth in this dynamic electronics marketplace. In conclusion, on behalf of the Board, I would like to thank our directors, management and staff for their dedication, and our business partners and shareholders for their support. We would also like to extend gratitude to the retired auditors, Deloitte & Touche LLP, for their services since 2004 and welcome the newly-appointed auditors, Ernst & Young. We look forward to the year ahead.

Yours Sincerely,

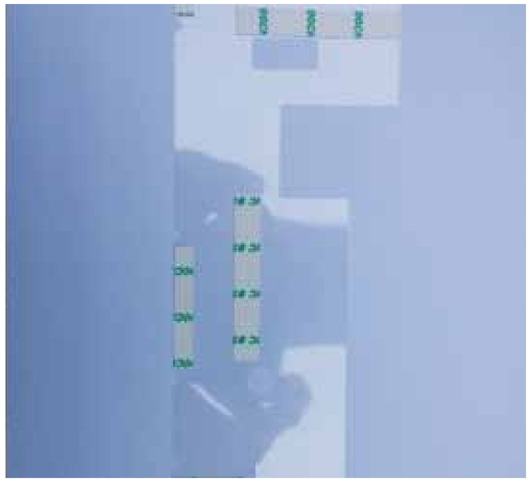
URANO Koichi
On behalf of the Board of CDW Holding Limited





Our corporate direction is clearer than ever. To drive growth as an established precision components specialist for consumer electronics.

Financial & Operations Review



Income Statement

In the year in review 2012, the Group continued to leverage on its core strengths as a leading-edge precision components manufacturer focused on consumer electronics. Building on its base, it registered a strong performance. Revenue increased year-on-year by 13.5% or US$23.3 million to US$196.4 million, as compared to US$173.1 million in FY2011. This was primarily due to the securing of mass production orders of LCD Backlight Units for a new gameset model which the Group was a key supplier of, starting from 2Q12. This development comes amid a reduction in the number of suppliers in the marketplace. The revenue increase was also due to the confirmation of mass production orders starting from 2Q12 for certain new products in the LCD Parts and Accessories segment.

Group gross profit was strengthened by US$11.1 million to US$45.9 million, as compared to US$34.8 million in FY2011. Gross profit margin also widened to 23.4% in the year in review as compared to 20.1% in FY2011. Typically, higher gross profit and gross profit margin are achievable at the start of new technology product cycles as the larger orders over an extended period of time allow specialist suppliers like us to realise economies of scale; more efficiently managing production costs such as raw materials, labour and machinery. These measures ultimately reduce idle time and boost productivity.

Under expenses, distribution expenses increased by US$0.5 million to US$2.7 million in the year in review, from US$2.2 million the year before. This was in line with increased revenue. With an increase in headcount and salary-related expenses, administrative expenses grew by 7.0% or US$1.7 million. This also included provision for an impairment loss of US$1.4 million over the plant and equipment of the metal stamping operations and the automatic assembly machines. Finance costs remained at a low level during the year in review as the Group maintained a low gearing policy in a low interest rate environment.

Income tax expenses increased by US$3.6 million to US$6.8 million in the year in review as compared to US$3.2 million in the previous year. During the year in review, the Group undertook a group restructuring exercise to save withholding income tax on dividends from subsidiaries in China in future. This restructuring led to an immediate income tax on the gain on intra-group transfer of a subsidiary amounting to US$0.6 million, which was provided and recorded as income tax expense. All in, the effective rate was increased from 29.6% to 32.8% year-on-year. After accounting for income tax, net profits were booked as US$11.4 million for the year in review, a 142.6% expansion compared with US$4.7 million in the previous year.

LCD Backlight Units

The LCD Backlight Units segment remained the main revenue driver over the year, contributing just under two-thirds in Group revenue. Sales in this segment expanded by 12.5% to US$125.4 million as compared to US$111.5 million in the previous year. This was mainly due to the mass production of a new LCD Backlight Unit model commencing 2Q12 for a gameset. This product had a higher margin at the start of production.

In terms of volume production over FY2012, the Group manufactured 6.9 million units of handsets (mainly smartphones) and 39.3 million units of gamesets (including for cameras), as compared to 8.1 million units of handsets and 42.6 million units of gamesets for the previous year.

The Group achieved a 4.9% point improvement in the operating margin over the year, from 7.3% in the previous year to 12.2% in the year in review.

The increase in operating margin was mainly due to the fact that margins are normally higher for new products at the start of their product cycle and then subsequently adjusted down through volume discounts and pricing pressure from customers. In this segment, we were also able to improve management of production costs with the securing of large order volumes over a period of time, as this enabled us to secure lower raw material costs and enhance labour efficiency. Operating profit for this largest Group segment increased to US$15.3 million as compared to US$8.1 million in the year before.

LCD Parts and Accessories

The second largest segment in terms of revenue contribution to the Group, the LCD Parts and Accessories business generated a 35.4% expansion in sales from US$36.2 million in the prior year to US$49.0 million in the current year in review. This was mainly because of orders for the mass production of parts for a new tablet which started in 2Q12. The Group has subsequently ceased its production in December 2012 with the ending of orders for it. With higher operating margins for new products, we were able to achieve a larger operating margin of 15.7% over FY2012, as compared to 8.8% in FY2011. This represents a 6.9% point increase. Operating profit here was US$7.7 million as compared to US$3.2 million in the year before. The Group has also continued to successfully leverage on its close relationships with optical sheet manufacturers and strengthened its business in Japanese-made protective film.

Office Automation

On the back of weak demand in Japan and the phasing out of some old models in China, sales performance in the Office Automation segment was tepid, registering US$22.1 million over the year in review, a 13.0% decline from US$25.4 million in the previous year. The Group recorded a negative operating margin of 7.2% for the year in review as compared with a positive operating margin of 4.6% in the previous year.

Statement of Financial Position

At the financial year-end 31 December 2012, total assets and liabilities stood at US$118.8 million and US$55.9 million respectively. Current assets increased by US$12.6 million over the year in review to US$96.7 million as at 31 December 2012. There was an increase in cash and bank balances associated with a high level of profitability. There was also a reduction in inventories due to the customers' inventory adjustment in the LCD Backlight Units segment and the termination of some key models in the LCD Parts and Accessories segment.

Inventory management is an important factor in the Group's operations. Over FY2012, inventory turnover days was 29 days as compared to 36 days for FY2011.

For trade receivables, the Group debtor turnover days saw a slight improvement from 43 days in FY2011 to 40 days in FY2012. There was no material change in the credit term to customers during the year in review. Other receivables mainly represented utility deposits, pre-paid expenses and value-added tax recoverable.

Meanwhile, total non-current assets stood at US$22.1 million, representing a decrease of US$3.5 million from US$25.6 million in the previous year. The Group provided impairment loss of US$1.4 million over the plant and equipment due to the termination of metal stamping operations and the failed project in automatic assembly machines. In September 2012, the Group entered into an entrusted loan agreement with an independent third party to generate a higher interest income from idle cash in China.

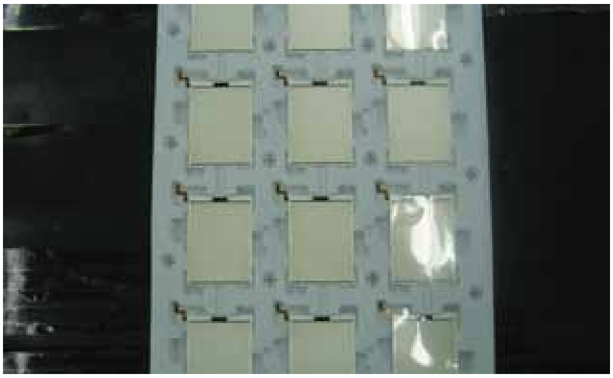
Total liabilities as at 31 December 2012 rose to US$55.9 million, which was an increase of US$4.8 million over the year. The Group's financing objective is to secure long-term borrowings at a low interest rate, and the Group, as such, arranged a fixed interest four-year term loan during the year. The bank loans were decreased by US$3.3 million to US$10.6 million as at year-end.

The balance in trade payables increased by US$5.2 million to US$32.7 million as at 31 December 2012, consistent with the rise in revenue for the year in review. There was no material change in the credit terms from the Group's suppliers.

Other payables and accruals, comprising accruals for expenses and wages payable, increased by US$0.5 million over the year to US$5.6 million as at 31 December 2012, due to rising labour costs in China.

The income tax on profit was provided and adjusted under tax rules of different jurisdictions which was consistent with the increase in revenue and profit before tax. As explained above, the income tax payable included the provision for capital gain tax amounting to US$0.6 million on the internal transfer of equity interest in a wholly-owned subsidiary in China between the companies in the Group.

Financial & Operations Review



Statement of Cash Flows

The Group generated profit before tax of US$18.2 million and operating cash flows (before movements in working capital) of US$24.1 million during the FY2012. As such, cash and cash equivalents at year-end strengthened by 17.1% to US$53.3 million from US$45.5 million over the year with reasons highlighted below.

With the solid performance of the Group for the year, the Group generated net cash from operating activities amounting to US$24.0 million for the FY2012 as compared to US$13.5 million in the previous year, representing an increase of US$10.5 million or 77.8%.

Net cash used in investing activities increased to US$5.7 million from US$2.3 million in the previous year. During the year in review, the Group purchased property, plant and equipment amounting to US$1.7 million, mainly for the LCD Parts and Accessories segment as compared to US$3.3 million for the Office Automation and LCD Parts and Accessories segments in the previous year. In addition, the Group entered into an entrusted loan arrangement which resulted in cash outflows of US$4.9 million during the year.

Net cash used in financing activities amounted to US$9.4 million as compared to US$5.3 million in the previous year. As for the net cash outflows during the year in review, it included the payment of dividends, the payment of share buyback and net repayment of bank loans amounting to US$4.3 million, US$1.9 million and US$3.0 million respectively, as compared to the payment of dividends of US$3.0 million, the payment of share buyback of US$1.3 million and net repayment of bank loans of US$1.4 million in the previous year.

Key Financial Data

US$mn	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Total Assets	**118.8**	109.7	100.9	93.8	100.9
Total Liabilities	**55.9**	51.1	45.4	41.4	45.7
Current Assets	**96.7**	84.1	74.1	66.3	70.5
Current Liabilities	**48.0**	45.7	36.8	32.5	42.5
Shareholders' Equity	**62.9**	58.6	55.5	52.4	55.2
Revenue	**196.4**	173.1	121.9	107.3	154.6
Profit before tax	**18.2**	7.9	4.6	1.6	1.5
Profit after tax	**11.4**	4.7	3.4	0.3	0.1
Earnings per share (US cents)	**2.41**	0.94	0.68	0.05	0.02
Dividend per share (US cents)	**1.2***	0.7	0.6	0.5	0.8

* including the proposed final dividend for FY2012

Key Operational Information / Data

LCD Backlight Units Operating subsidiaries
(CD Shanghai, TM Dongguan, TM Japan & TM Hong Kong)

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Revenue (US$mn)	**125.3**	111.5	63.9	52.6	77.0
Earnings before interest and taxes (EBIT) (US$mn)	**15.3**	8.1	2.9	1.5	2.7
Gross floor area (sqm)	**19,731**	19,731	19,731	19,731	22,389
Clean room area (sqm)	**6,208**	6,208	6,208	6,208	6,208
Number of staff	**153**	162	162	168	188
Number of workers	**1,653**	1,529	1,285	1,004	1,420
Production capacity (units/mth)	**6,000,000**	6,000,000	6,000,000	6,000,000	6,000,000

LCD Parts and Accessories Operating subsidiaries
(CD Suzhou, TM Japan, TM Pudong, TM Dongguan, TM Hong Kong, SMT Hong Kong & SMT Dongguan)

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Revenue (US$mn)	**49.0**	36.2	31.8	29.6	50.1
EBIT (US$mn)	**7.6**	3.2	1.3	1.2	1.2
Gross floor area (sqm)	**36,887**	36,887	36,887	25,504	25,504
Clean room area (sqm)	**4,373**	4,373	4,373	3,763	3,763
Number of staff	**180**	191	183	168	235
Number of workers	**767**	709	770	649	1,005

*SMT Hong Kong was acquired in September 2010.
*SMT Dongguan was incorporated in June 2011.

Office Automation Operating subsidiaries
(TM Japan, TM Shanghai, WH Hong Kong, WH Dongguan & GCY Shanghai)

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Revenue (US$mn)	**22.1**	25.4	26.2	25.1	27.5
EBIT (US$mn)	**(1.6)**	1.2	2.6	1.7	1.5
Gross floor area (sqm)	**7,830**	7,830	8,454	8,454	9,360
Clean room area (sqm)	**569**	569	829	724	724
Number of staff	**158**	173	142	158	168
Number of workers	**389**	491	545	504	528

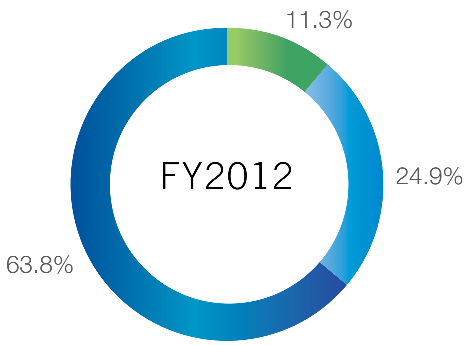
*GCY Shanghai was incorporated in July 2011.

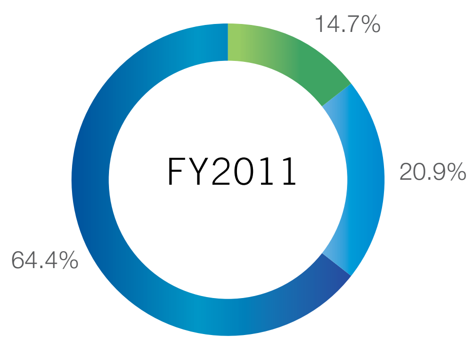
(Figures are based on December of each year)

Financial & Operations Review

Segmental Financial Highlights

Revenue - by business segments

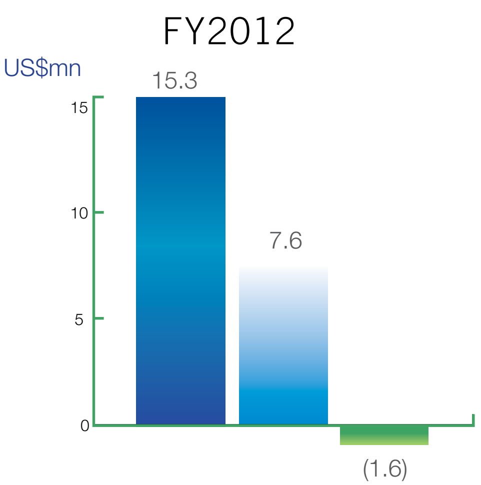


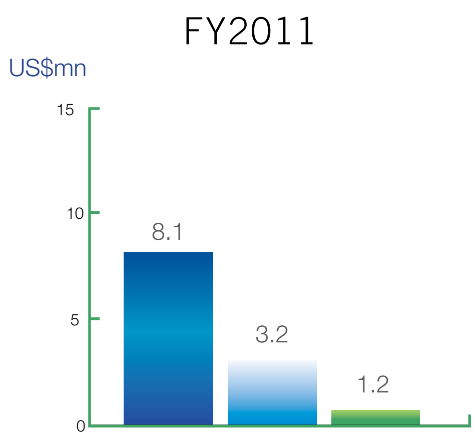


Revenue Growth

US$mn	FY 2012	FY 2011	% Change
LCD Backlight Units	**125.3**	111.5	12.4
LCD Parts and Accessories	**49.0**	36.2	35.4
Office Automation	**22.1**	25.4	(13.0)

EBIT - by business segments





EBIT Growth

US$mn	FY 2012	FY 2011	% Change
LCD Backlight Units	**15.3**	8.1	88.9
LCD Parts and Accessories	**7.6**	3.2	137.5
Office Automation	**(1.6)**	1.2	(233.3)

- LCD Backlight Units
- LCD Parts and Accessories
- Office Automation

Board of Directors

URANO Koichi

Chairman and Chief Executive Officer

Mr Urano succeeded from Mr Yoshimi Kunikazu who founded the Group on 31 March 2012. As the Chief Executive Officer, he is in charge of the overall operations of the Group and is responsible for overall strategy, planning and development. He has more than 18 years of experience and knowledge of the LCD technology and has made considerable contribution towards the development of Group's business in the Japanese and overseas markets.

KIYOTA Akihiro

Executive Director and Chief Operating Officer

Mr Kiyota succeeded as the Chief Operating Officer from Mr Urano on 31 March 2012, and is currently in charge of the overall operations of the Group and responsible for overall strategy, planning and development. He has over 25 years of experience in sales and marketing in a number of Japanese companies at the managerial level. He joined the Group in 2000 as the Deputy General Manager of TM Hong Kong and was promoted as the General Manager in August 2004. Mr Kiyota was appointed as the Executive Managing Director of TM Japan in August 2007.

DY MO Hua Cheung, Philip

Executive Director

Mr Dy Mo is responsible for the overall management of the 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 the 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.

OCHI Shinichi

Executive Director

Mr Ochi was appointed as the Executive Director of the Group on 1 March 2012. He is responsible for overseeing and promoting efficiency of the 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 18 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 Shanghai. He was appointed as an executive director of TM Japan in January 2009, and promoted as the Executive Managing Director in April 2012.

Board of Directors

LAI Shi Hong, Edward

Non-Executive Director

Mr Lai was re-designated as a Non-Executive Director in October 2011. He was appointed to the Board in August 2004 as an Executive Director responsible for overseeing our finance, compliance and corporate development functions. He has more than 25 years of experience in finance, accounting and business management, and is currently the chief financial officer and the company secretary of a main-board listed company in Hong Kong. He graduated from the University of Hong Kong with a Bachelor of Arts and holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University. He 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.

CHONG Pheng

Independent Director

Mr Chong started his own business in several different industries after retiring from the Singapore Armed Forces. He is the director and owner of Blue Forest Echo Pte Ltd; a director and shareholder of Eurock Resources Pte Ltd, Eu-Pure Pte Ltd, HDJ Pte Ltd (f.k.a. Diobas Far East Pte Ltd) and Eurock Ltd (a Hong Kong company); and a director of Zhong Xing Venture Pte Ltd. He is also currently employed as vice-president of Microlight Sensors Pte Ltd. He holds a First Class Honors Degree in Electronic and Electrical Engineering from the National Defense Academy in Japan, a Master of Science Degree in Defense Technology (Electronics) from Cranfield University (Royal Military College of Science) in England and a Graduate Diploma in Organizational Learning from the Civil Service College in Singapore.

MITANI Masatoshi

Independent Director

Mr Mitani is a professional accountant by training and a certified public accountant. He has more than 17 years of experience in accounting, auditing, taxation and corporate secretarial work in Japan, Hong Kong and Singapore. He is currently the managing partner of an accounting and consultancy firm in Singapore. He is a permanent resident in Singapore since 2001. Mr Mitani graduated from the Kyoto University. He is a member of the Japanese Institute of Certified Public Accountants, and an associate member of the Institute of Certified Public Accountants of Singapore.

NG Wai Kee

Independent Director

Mr Ng is a professional accountant by training and a certified public accountant. He has more than 25 years of experience in accounting, auditing, taxation and corporate secretarial work. He is currently also the company secretary of Centron Telecom International Holding Ltd and Grand T G Gold Holdings Ltd. Mr Ng graduated from 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.

Key Executive Officers

CHAN Kam Wah

Head of Sales and Marketing in Southern China

Mr Chan is responsible for overall sales operations in Hong Kong and Southern China. He joined the 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. He was appointed as the legal representative and General Manager of WH Dongguan since March 2008.

EGUCHI Yasunori

Head of Operations (Project Coordination)

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 24 years of experience in project management, being in charge of numerous large-scale projects overseas. He has assumed senior management position for more than 17 years. He aggressively involved for the strategic business improvement activities for the Group.

LEE Haeng Jo (also known as MORIYAMA Kozo)

Head of Production and Corporate Planning

Mr Lee is responsible for overseeing the production facilities of the Group in Hong Kong and China. 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 16 years of experience in sales and marketing in Japan. He is responsible for the corporate planning of the Group, and also address the improvement of business performance of the Group.

MIZUGUCHI Tomokazu

Head of Operations (Management Coordination)

Mr Mizuguchi is responsible for coordinating different functions in the LCD Backlight Units operations of the Group. He joined the Group in April 2005 as head of sales department of LCD Backlight Units in TM Hong Kong. Mr Mizuguchi started his career in the plant equipment for factory automation with a Japanese major material handling manufacturer. Prior to joining TM Hong Kong, he has 13 years' experience in dealing with and serving large liquid crystal display and semiconductor manufacturers of Japan, China, Taiwan and South Korea. He was promoted in June 2011 to his current position as the General Manager of TM Hong Kong and as a key executive officer of the Group in April 2012.

SHINJO Kunihiko

Head of Finance (Group Coordinator)

Mr Shinjo is responsible for coordinating financial activities across the Group and establishing relationships with financial institutions overseas. He has more than 26 years of experience in accounting, financial control, treasury management and tax compliance in Japan. He joined the Group as the Branch Manager of Osaka Representative Office of the Group in 2005. He was appointed as non-executive director of TM Japan in 2006 and now he is an executive director of TM Japan since May 2012.

Corporate Information

Board of Directors

Chairman and Chief Executive Officer
URANO Koichi

Executive Director
KIYOTA Akihiro
DY MO Hua Cheung, Philip
OCHI Shinichi

Non-Executive Director
LAI Shi Hong, Edward

Independent Director
CHONG Pheng
MITANI Masatoshi
NG Wai Kee

Key Executive Officers
CHAN Kam Wah
EGUCHI Yasunori
LEE Haeng Jo (also known as MORIYAMA Kozo)
MIZUGUCHI Tomokazu
SHINJO Kunihiko

Company Secretary
TAN San-Ju, FCIS

Audit Committee
NG Wai Kee (Chairman)
CHONG Pheng
LAI Shi Hong, Edward
MITANI Masatoshi

Remuneration Committee
CHONG Pheng (Chairman)
LAI Shi Hong, Edward
MITANI Masatoshi
NG Wai Kee

Nominating Committee
MITANI Masatoshi (Chairman)
CHONG Pheng
LAI Shi Hong, Edward
NG Wai Kee

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
Canon's Court, 22 Victoria Street
Hamilton, HM 12
Bermuda

Auditors
Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Audit Partner: WONG Sau Pik
Date of appointment: 29 October 2012

Financial Contents

Corporate Governance Report

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

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

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The members of the Board for the financial year 2012 and as at the date of this report on 28 March 2013 are as follows:

YOSHIMI Kunikazu	(Chairman and Chief Executive Officer) (Retired on 31 March 2012)
URANO Koichi	(Chairman and Chief Executive Officer) (Appointed as Chairman and Chief Executive Officer on 31 March 2012)
KIYOTA Akihiro	(Executive Director and Chief Operating Officer) (Appointed as Chief Operating Officer on 31 March 2012)
DY MO Hua Cheung, Philip	(Executive Director)
OCHI Shinichi	(Executive Director) (Appointed on 1 March 2012)
LAI Shi Hong, Edward	(Non-Executive Director)
CHONG Pheng	(Independent Director)
HO Yew Mun	(Independent Director) (Retired on 31 May 2012)
MITANI Masatoshi	(Independent Director)
NG Wai Kee	(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 and assuming overall responsibility for corporate governance, 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 Group's financial matters, the Board is responsible for reviewing periodic financial reports to assess its financial performance and implementing policies for risk management, internal controls and compliance. The Board is also responsible for assessing risks faced by the Group and reviewing and monitoring appropriate measures to manage such risks. In addition, the Board approves nomination of directors to the Board, changes in the composition of the Audit, Nominating and Remuneration Committees and 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. For remuneration matters, the Board reviews and endorses the recommended framework of remuneration for the Board and the management by the Remuneration Committee.

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

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

The number of meetings held by the Board and Board Committees and attendance for the financial year 2012 are as follows:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
YOSHIMI Kunikazu (Note 1)	2	2	–	–	–	–	–	–
URANO Koichi	6	6	–	–	–	–	–	–
KIYOTA Akihiro	6	6	–	–	–	–	–	–
DY MO Hua Cheung, Philip	6	6	–	–	–	–	–	–
OCHI Shinichi (Note 2)	4	4	–	–	–	–	–	–
LAI Shi Hong, Edward	6	6	4	4	2	2	1	1
CHONG Pheng	6	6	4	4	2	2	1	1
HO Yew Mun (Note 3)	3	3	2	2	1	1	1	1
MITANI Masatoshi	6	6	4	4	2	2	1	1
NG Wai Kee	6	6	4	4	2	2	1	1

Notes:

1. YOSHIMI Kunikazu retired as Director on 31 March 2012.
2. OCHI Shinichi was appointed as Director on 1 March 2012.
3. HO Yew Mun retired as Director on 31 May 2012.

The Directors will receive further relevant training as and when appropriate, 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. For any of the Directors who has no prior experience as a director of a listed company, the Company will provide training in areas such as accounting, legal and industry-specific knowledge as appropriate. 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 four Executive Directors (including the CEO), a Non-Executive Director and three Independent Directors. The Nominating Committee will review the independence of each Director annually with reference to the circumstances set forth in the Code and any other salient factors.

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

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

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

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

The Board is of the 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.

However, the Group's Chairman and CEO, URANO Koichi, together with the other Directors, will actively consider separating the roles of the Chairman and CEO to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Should the Chairman and CEO be separate persons, the CEO will be responsible for the day-to-day operation of the Group. The responsibility of the Chairman will be to schedule meetings, prepare meeting agenda in consultation with the CEO, exercise control over quality, quantity and timeliness of the flow of information between the management and the Board and 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 an 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 three Independent Directors, namely, MITANI Masatoshi, CHONG Pheng, NG Wai Kee and the Non-Executive Director, LAI Shi Hong, Edward, and is chaired by MITANI Masatoshi. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

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

(a) to make recommendations to the Board on all board appointments, including re-nominations, and changes in the composition of the Audit, Nominating and Remuneration Committees, having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour);

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

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

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

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

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

In selecting new directors, re-nominating directors for re-election and changes in the composition of the Audit, Nominating and Remuneration Committees, the NC will seek to identify the competencies required to enable the Board or the relevant Board Committee, as the case may be, to fulfil its responsibilities. In doing so, the NC will have regard to the results of the annual evaluation of directors. Recommendations are put to the Board for its consideration.

On multiple board representations, the NC's guideline is that the number of directorships in listed companies that a Board member holds should not be more than five. 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 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 Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises all the three Independent Directors, namely, CHONG Pheng, MITANI Masatoshi, NG Wai Kee and the Non-Executive Director, LAI Shi Hong, Edward, and is chaired by CHONG Pheng. Each member of the RC shall abstain from voting on any resolutions in respect of his own remuneration package.

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

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

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

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

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

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

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with the required experience and expertise to manage the business and operations of the Group. The remuneration paid to the Directors and key executive officers for services rendered during the year ended 31 December 2012 are as follows:

Remuneration Of Directors

Remuneration band and Name of Directors	Salary	Benefits-in-kind	Directors' Fees	Performance Bonuses	Share Options
SG$500,000 to SG$749,999					
URANO Koichi	69%	7%	–	24%	–
SG$250,000 to SG$499,999					
KIYOTA Akihiro	100%	–	–	–	–
DY MO Hua Cheung, Philip	100%	–	–	–	–
OCHI Shinichi (Note 1)	100%	–	–	–	–
Below SG$250,000					
YOSHIMI Kunikazu (Note 2)	92%	8%	–	–	–
LAI Shi Hong, Edward	–	–	100%	–	–
CHONG Pheng	–	–	100%	–	–
HO Yew Mun	–	–	100%	–	–
MITANI Masatoshi	–	–	100%	–	–
NG Wai Kee	–	–	100%	–	–

Remuneration of Key Executive Officers (not being Directors)

Remuneration band and Name of Key Executive Officers	Salary	Benefits-in-kind	Directors' Fees	Performance Bonuses	Share Options
SG$250,000 to SG$499,999					
EGUCHI Yasunori	81%	19%	–	–	–
LEE Haeng Jo	81%	19%	–	–	–
SHINJO Kunihiko	100%	–	–	–	–
Below SG$250,000					
OCHI Shinichi (Note 3)	100%	–	–	–	–
CHAN Kam Wah	76%	24%	–	–	–
MIZUGUCHI Tomokazu (Note 4)	83%	17%	–	–	–

Notes:

1. The Director's remuneration of OCHI Shinichi was for the period from March to December 2012 following his appointment as Director on 1 March 2012.

2. The Director's remuneration of YOSHIMI Kunikazu was for the period from January to March 2012 as he retired as Director on 31 March 2012.

3. The Key Executive's remuneration of OCHI Shinichi was for January and February 2012 prior to his appointment as Director on 1 March 2012.

4. The Key Executive's remuneration of MIZUGUCHI Tomokazu was for the period from April to December 2012 following his appointment as Key Executive Officer on 1 April 2012.

To keep the level and structure of remuneration aligned with the long-term interest and risk policies of the Company and appropriate to attract, retain and motivate the Directors to provide good stewardship, the director fees of the Non-Executive Directors is determined by the RC as proportionate to the level of an Non-Executive Director's contribution or involvement during a year, taking into account factors such as effort and time spent, and responsibilities of that Non-Executive Director, up to a maximum fixed sum which will be subject to approval at the AGM.

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

There are two employees who are relatives of YOSHIMI Kunikazu, the retired Chairman and CEO of the Company. Remuneration of one of them exceeded SG$150,000 but was less than SG$250,000 during the year while the other was less than SG$150,000. Save for the above, there were no employees who are immediate family members of Directors, the retired CEO or the incumbent CEO, and whose remuneration exceeded SG$150,000 during the year.

The Company has a share option scheme known as CDW Holding Share Option Scheme (the "Scheme") which was adopted and subsequently amended with approval by shareholders of the Company respectively on 8 November 2004 and 20 May 2008. The Scheme complies with the relevant rules as set out in Chapter 8 of the SGX-ST 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 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 Scheme expired on 8 November 2009 and no share options have been granted since under the Scheme. In 2012, 1,464,000 share options were lapsed and 1,464,000 share options were exercised. The number of outstanding share options as at 31 December 2012 was 16,104,000. To continue providing an motivation to the employee at greater dedication, loyalty and higher standards of performance, and to enable the Company to recruit high caliber employees, the Company will seek approval at a general meeting to adopt a new share option Scheme as well as a share performance scheme in due course.

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 and whenever necessary for the discharge of responsibility to the shareholders.

Audit Committee ("AC")

Principle 11: Audit Committee

Our AC comprises all the three Independent Directors, namely, NG Wai Kee, CHONG Pheng, MITANI Masatoshi and the Non-Executive Director, LAI Shi Hong, Edward, 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 financial position and comprehensive income statement 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 external auditors, and to discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external 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 external 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 to 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 SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the 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 four times a year after the end of each quarter 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 external auditor was also present at the relevant junctures. In its review of the audited financial statements for FY2012, the AC discussed with the management and external auditors the audit work performed and accounting principles applied.

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 has reasonable resources to enable it to discharge its functions properly.

The AC meets with the external auditors without the presence of the management at least once a year. The Company is in compliance with Rules 712 and Rule 715 of the Listing Manual of SGX-ST whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.

The AC has reviewed the volume of non-audit services to the Group by the external auditors, Ernst & Young, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The amount of non-audit fees paid to auditors for the financial year ended 31 December 2012 can be referred to page 64 of the Annual Report. The AC is pleased to recommend their re-appointment.

The AC has 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.

RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

Principle 12: Internal Controls

Principle 13: Internal Audit

The management has put in place a risk management system and system of internal controls within the Group to identify risks and document counter-measures to address risks in the Group's business, and to safeguard the shareholders' interests and the Group's assets.

Major risks and their respective counter-measures are identified and analysed by the management and documented in the Group's risk register and discussed with the Board at each quarter. This risk management framework is intended to provide reasonable but not absolute assurance against material financial misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The management will review and adjust its business and operational activities, if necessary, where it identifies areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The management, on a continuous basis, reviews all significant control policies and procedures and highlights all significant matters to the Board.

The management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the management can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

The management is then expected to ensure that appropriate controls are in place to manage those risks, and such risks and controls are monitored by the Board on a regular basis.

The Company has set up an in-house internal audit 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 two to three years. Each company of the Group will be covered and subject to internal audit review and testing at least once during the internal audit plan cycle. The AC reviews the internal audit team's scope of work on an annual basis.

The Company's internal auditors conduct tests of the Company's internal controls, including financial, operational and compliance control systems maintained by the management (collectively, "internal controls"). The internal audit plan for each year is developed taking into consideration the risks of each process. Any material non-compliance or failures in internal control, and recommendations for improvements, are reported to the AC.

In 2011, the Company engaged an external qualified professional, Protiviti Hong Kong Co., Limited, to review the internal audit function and make recommendations in formulating the risk-based internal audit approach and strategy to cover all high risk areas. In this regard, the AC had recommended to the Board and the management to adopt and implement its recommendations. Consequently, the internal audit team worked with the management to implement the recommendations to the satisfaction of AC.

During the year, the Group's external auditors highlighted internal control issues that came to their notice during the conduct of their normal audit procedures which are designed primarily for the purpose of expressing their opinion on the financial statements, and reported these issues and their recommendations to the AC.

In addition, the AC reviewed the effectiveness of the Company's internal controls and risk management procedures put in place by the management, taking into consideration the internal control issues highlighted by the internal auditors and external auditors during the year as well as measures taken by the management in response to these control issues. The Company's internal controls and risk management processes are sufficient to meet the needs of the Company in its current business environment.

The Board, after taking into consideration the work performed by external and internal auditors, the actions taken by the management, the current risk management framework in place, the on-going review and continuing efforts at enhancing controls and processes, with the concurrence of the AC, is of the opinion that the system of control maintained by the Group are adequate to address financial, operational and compliance risks and meet the needs of the Company in providing reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practice, and the identification and containment of business risks.

The Board notes that any system of internal controls can only provide reasonable, but not absolute, assurance that the Group would not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. Therefore, the Board recognises the limitations that are inherent in any system as this control system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. Hence, they are no absolute assurance against occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

Principles 14 and 15: Communication with Shareholders

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

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

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

In general meetings, the Company puts all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the shareholders before the close of the meetings.

MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors and the Company, and the advisory agreement between the retired CEO and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of the CEO or any Directors or controlling shareholders subsisting at the end of the year ended 31 December 2012 or entered into since the end of that financial year.

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 which is in accordance with Rule 1207(19) of the SGX-ST Listing Manual.

INTERESTED PERSON TRANSACTIONS

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

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

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than SG$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SG$100,000)
Name of interested person	**US$'000**	**US$'000**
Mr YOSHIMI Kunikazu - Advisory fee	189	–
Total	189	–

Report of the Directors

The directors are pleased to present their report to the members together with the audited consolidated financial statements of CDW Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2012.

1. Directors

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

URANO Koichi	(Chairman and Chief Executive Officer) (Appointed as Chairman and Chief Executive Officer on 31 March 2012)
KIYOTA Akihiro	(Executive Director and Chief Operating Officer) (Appointed as Chief Operating Officer on 31 March 2012)
DY MO Hua Cheung, Philip	(Executive Director)
OCHI Shinichi	(Executive Director) (Appointed on 1 March 2012)
LAI Shi Hong, Edward	(Non-Executive Director)
CHONG Pheng	(Independent Director)
MITANI Masatoshi	(Independent Director)
NG Wai Kee	(Independent Director)

In accordance with Bye-Laws 104 of the Bye-Laws of the Company, URANO Koichi, KIYOTA Akihiro and NG Wai Kee retire and, being eligible, offer themselves for re-election.

2. Arrangements to Enable Directors to Acquire Shares and Debentures

Except as described in paragraphs 3 and 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' Interests in Shares and Debentures

The following directors, who held office at the end of the financial year, had an interest in shares and debentures of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of directors and companies in which interests are held	Direct interests: At the beginning of financial year	Direct interests: At the end of financial year	Deemed interests: At the beginning of financial year	Deemed interests: At the end of financial year
The Company				
Ordinary shares of US$0.02 each				
URANO Koichi	710,000	710,000	–	–
KIYOTA Akihiro	200,000	200,000	–	–
DY MO Hua Cheung, Philip	400,000	400,000	–	–
LAI Shi Hong, Edward	200,000	200,000	–	–

	Options to subscribe for ordinary shares: At the beginning of financial year	Options to subscribe for ordinary shares: At the end of financial year
The Company		
URANO Koichi	1,952,000	1,952,000
KIYOTA Akihiro	1,952,000	1,952,000
DY MO Hua Cheung, Philip	1,952,000	1,952,000
LAI Shi Hong, Edward	1,464,000	1,464,000
OCHI Shinichi	1,464,000	1,464,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2013.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

4. Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company 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 the director is a member, or with a company in which the director has a substantial financial interest.

5. Share Options

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 and was subsequently amended with approval by the shareholders of the Company on 22 May 2008. 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(b) 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 Remuneration Committee ("RC") administering the Scheme comprises four directors, CHONG Pheng, LAI Shi Hong, Edward, MITANI Masatoshi and NG Wai Kee.

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 2012	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2012	Exercise price per share	Exercisable period
11 June 2008	19,032,000	–	(1,464,000)	(1,464,000)	16,104,000	SG$0.07	11 June 2009 to 10 June 2013

In respect of share options granted to employees of the Group, 1,464,000 (2011: Nil) were lapsed, 1,464,000 (2011: Nil) were exercised and no new options (2011: Nil) were granted during the financial year, making it a total of 16,104,000 (2011: 19,032,000) 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).

5. Share Options (continued)

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Scheme are as follows:

Name of directors	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
DY MO Hua Cheung, Philip	–	1,952,000	–	–	1,952,000
DY MO Hua Cheung, Philip*	–	5,368,000	–	(5,368,000)	–
LAI Shi Hong, Edward	–	6,344,000	–	(4,880,000)	1,464,000
OCHI Shinichi	–	1,464,000	–	–	1,464,000
OCHI Shinichi*	–	2,928,000	–	(2,928,000)	–

* prior to appointment as Director

6. Audit Committee ("AC")

The AC of the Company is chaired by NG Wai Kee, an independent director, and includes CHONG Pheng, LAI Shi Hong, Edward and MITANI Masatoshi, all of whom are independent directors except for LAI Shi Hong, Edward, who is a non-executive director. The AC has met four times since the last Annual General Meeting ("AGM") up to the date of this report and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

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

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

(c) the 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 AC 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 AC.

Further details regarding the AC are disclosed in the Corporate Governance Report.

The AC has recommended to the directors the nomination of Ernst & Young for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

7. Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors

URANO Koichi Chairman and Chief Executive Officer	LAI Shi Hong, Edward Non-Executive Director

28 March 2013

Statement of Directors

We, URANO Koichi and LAI Shi Hong, Edward, being two of the directors of CDW Holding Limited, do hereby state that, in the opinion of the directors,

- the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to present fairly the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

- at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

URANO Koichi
Chairman and Chief Executive Officer

LAI Shi Hong, Edward
Non-Executive Director

28 March 2013

Independent Auditors' Report

To the Members of CDW Holding Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CDW Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 37 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the statements of changes in equity of the Group and the Company and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International 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 consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2012, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	Group 2012 US$'000	Group 2011 US$'000
Revenue	4	196,416	173,106
Cost of sales		(150,540)	(138,339)
Gross profit		45,876	34,767
Other income	5	1,424	1,500
Impairment loss on goodwill	13	–	(1,516)
Distribution costs		(2,728)	(2,183)
Administrative expenses	6	(26,093)	(24,383)
Finance costs	7	(259)	(300)
Profit before tax	8	18,220	7,885
Income tax expense	9	(6,797)	(3,187)
Profit for the year		11,423	4,698
Profit attributable to:			
Owners of the Company		11,406	4,683
Non-controlling interests		17	15
		11,423	4,698
Earnings per share (US cents)			
Basic	10	2.41	0.94
Diluted	10	2.39	0.94

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Notes	Group 2012 US$'000	Group 2011 US$'000
Profit for the year		11,423	4,698
Other comprehensive income:			
(Deferred tax liability arising)/Reversal of deferred tax liability on revaluation of available-for-sale investments		(83)	16
Exchange differences on translation of foreign operations		(1,149)	2,716
Available-for-sale investments:			
Fair value gain/(loss) arising during the year	15(a)&(b)	220	(40)
Reclassification to profit or loss from equity		5	–
Other comprehensive (expense)/income for the year, net of tax		(1,007)	2,692
Total comprehensive income for the year		10,416	7,390
Attributable to:			
Owners of the Company		10,399	7,375
Non-controlling interests		17	15
Total comprehensive income for the year		10,416	7,390

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2012

	Notes	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	19,237	22,710	–	–
Prepaid lease payments	12	459	469	–	–
Investment in subsidiaries	14(a)	–	–	10,735	10,735
Amount due from a subsidiary	14(b)	–	–	15,876	17,632
Investments	15	1,688	1,638	–	–
Other assets	16	741	796	–	–
Total non-current assets		22,125	25,613	26,611	28,367
Current assets					
Inventories	17	10,527	12,259	–	–
Prepaid lease payments	12	9	9	–	–
Trade and other receivables	18	27,831	26,146	26	29
Derivative financial instruments	19	–	1	–	–
Investments	15	4,938	–	–	–
Pledged bank deposit	20	143	143	–	–
Cash and bank balances	20	53,252	45,506	58	362
Total current assets		96,700	84,064	84	391
TOTAL ASSETS		118,825	109,677	26,695	28,758
LIABILITIES AND EQUITY					
Current liabilities					
Income tax payable		3,986	2,203	–	–
Current portion of bank and other borrowings	21	5,236	10,438	–	–
Current portion of finance leases	27	410	349	–	–
Trade and other payables	22	38,281	32,668	272	166
Derivative financial instruments	19	37	–	–	–
Total current liabilities		47,950	45,658	272	166
NET CURRENT ASSETS/(LIABILITIES)		48,750	38,406	(188)	225
Non-current liabilities					
Bank and other borrowings	21	5,360	3,500	–	–
Finance leases	27	466	380	–	–
Retirement benefit obligations	23(a)	1,309	947	–	–
Deferred tax liabilities	24	794	616	–	–
Total non-current liabilities		7,929	5,443	–	–
TOTAL LIABILITIES		55,879	51,101	272	166
NET ASSETS		62,946	58,576	26,423	28,592
Equity attributable to owners of the Company					
Share capital	25(a)	10,087	10,087	10,087	10,087
Treasury shares	25(b)	(3,115)	(1,347)	(3,115)	(1,347)
Retained earnings		22,689	16,156	247	592
Reserves	26	33,249	33,661	19,204	19,260
		62,910	58,557	26,423	28,592
Non-controlling interests		36	19	–	–
TOTAL EQUITY		62,946	58,576	26,423	28,592
TOTAL LIABILITIES AND EQUITY		118,825	109,677	26,695	28,758

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the Company														
	Share capital	Share premium of the Company	Share capital reserve	Treasury shares Note 25(b)	Employee share option reserve Note 23(b)	Merger reserve Note 26	Statutory Reserve Fund Note 26	Enterprise Expansion Fund Note 26	Other reserves Note 26	Fair value adjustment reserve Note 26	Foreign currency translation reserve Note 26	Retained earnings	Total	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
GROUP															
Balance at 1 January 2011	10,087	18,994	–	(33)	266	(7,020)	4,858	313	1,173	21	11,760	15,049	55,468	28	55,496
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	(24)	2,716	4,683	7,375	15	7,390
Shares purchased under Shares Purchase Mandate and held as treasury shares (Note 25(b))	–	–	–	(1,314)	–	–	–	–	–	–	–	–	(1,314)	–	(1,314)
Transfer	–	–	–	–	–	–	588	8	8	–	–	(604)	–	–	–
Arising on acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(24)	(24)
Dividends paid (Note 34)	–	–	–	–	–	–	–	–	–	–	–	(2,972)	(2,972)	–	(2,972)
Balance at 31 December 2011 and 1 January 2012	10,087	18,994	–	(1,347)	266	(7,020)	5,446	321	1,181	(3)	14,476	16,156	58,557	19	58,576
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	142	(1,149)	11,406	10,399	17	10,416
Shares purchased under Shares Purchase Mandate and held as treasury shares (Note 25(b))	–	–	–	(1,866)	–	–	–	–	–	–	–	–	(1,866)	–	(1,866)
Treasury shares transferred out to satisfy share options exercised	–	–	(15)	98	–	–	–	–	–	–	–	–	83	–	83
Transfer	–	–	–	–	–	–	645	4	4	–	–	(653)	–	–	–
Transfer from deferred tax	–	–	–	–	–	–	–	–	–	(2)	–	–	(2)	–	(2)
Transfer on share options lapsed	–	–	–	–	(20)	–	–	–	–	–	–	20	–	–	–
Transfer on share options exercised	–	–	–	–	(21)	–	–	–	–	–	–	21	–	–	–
Dividends paid (Note 34)	–	–	–	–	–	–	–	–	–	–	–	(4,261)	(4,261)	–	(4,261)
Balance at 31 December 2012	10,087	18,994	(15)	(3,115)	225	(7,020)	6,091	325	1,185	137	13,327	22,689	62,910	36	62,946

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Share capital US$'000	Share premium US$'000	Share capital reserve US$'000	Treasury shares US$'000	Employee share option reserve US$'000	Retained earnings US$'000	Total equity US$'000
COMPANY							
Balance at 1 January 2011	10,087	18,994	–	(33)	266	42	29,356
Total comprehensive income for the year	–	–	–	–	–	3,522	3,522
Shares purchased under Share Purchase Mandate and held as treasury shares (Note 25(b))	–	–	–	(1,314)	–	–	(1,314)
Dividends paid (Note 34)	–	–	–	–	–	(2,972)	(2,972)
Balance at 31 December 2011 and 1 January 2012	10,087	18,994	–	(1,347)	266	592	28,592
Total comprehensive income for the year	–	–	–	–	–	3,875	3,875
Shares purchased under Share Purchase Mandate and held as treasury shares (Note 25(b))	–	–	–	(1,866)	–	–	(1,866)
Treasury shares transferred out to satisfy share options exercised	–	–	(15)	98	–	–	83
Transfer on share options lapsed	–	–	–	–	(20)	20	–
Transfer on share options exercised	–	–	–	–	(21)	21	–
Dividends paid (Note 34)	–	–	–	–	–	(4,261)	(4,261)
Balance at 31 December 2012	10,087	18,994	(15)	(3,115)	225	247	26,423

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	Group 2012 US$'000	Group 2011 US$'000
Operating Activities			
Profit before tax		18,220	7,885
Adjustments for:			
Depreciation of property, plant and equipment		3,475	3,356
Amortisation of prepaid lease payments		11	11
Interest income		(554)	(500)
Interest expenses		259	300
(Gain)/Loss on disposal of property, plant and equipment		(22)	236
Impairment loss on goodwill	13	–	1,516
Impairment loss on plant and equipment	11	1,436	–
Allowances for inventories		654	519
Retirement benefit obligations		489	156
Impairment loss on available-for-sale investments		135	221
Changes in fair value of derivative financial instruments		38	1
Operating cash flows before movements in working capital		24,141	13,701
Changes in working capital:			
Trade and other receivables		(1,685)	(736)
Inventories		1,078	(2,609)
Trade and other payables		5,111	5,095
Cash generated from operations		28,645	15,451
Net income tax paid		(4,385)	(1,653)
Interest paid		(259)	(300)
Net cash from operating activities		24,001	13,498
Investing Activities			
Proceeds on disposal of property, plant and equipment		390	649
Purchase of property, plant and equipment (Note A)		(1,659)	(3,255)
Increase in other assets		(12)	(162)
Increase in loans and receivables		(4,917)	–
Additional investment in available-for-sale investments		(16)	(18)
Interest income received		554	500
Acquisition of additional interests in a subsidiary		–	(24)
Net cash used in investing activities		(5,660)	(2,310)
Financing Activities			
Proceeds from share options exercised		83	–
Payment of share buyback		(1,866)	(1,300)
Decrease in pledged bank deposit		–	621
Proceeds from bank and other borrowings		69,121	96,920
Repayment of bank and other borrowings		(72,088)	(98,345)
Repayment of obligations under finance leases		(419)	(260)
Dividends paid		(4,261)	(2,972)
Net cash used in financing activities		(9,430)	(5,336)
Net increase in cash and cash equivalents		8,911	5,852
Net effect of currency translation differences		(1,165)	1,938
Cash and cash equivalents at 1 January	20	45,506	37,716
Cash and cash equivalents at 31 December	20	53,252	45,506

Note A

The Group acquired property, plant and equipment with an aggregate cost of approximately US$2,233,000 (2011: US$3,535,000) of which US$574,000 (2011: US$280,000) was acquired by means of finance leases. Cash payments of approximately US$1,659,000 (2011: US$3,255,000) were made to purchase property, plant and equipment.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company (Registration number 35127) is a limited company incorporated in Bermuda and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business of the Company is located at Room 06 - 10, 11th Floor, CCT Telecom Building, 11 Wo Shing Street, Fo Tan, Shatin, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION – The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("US$") and all values in the tables are rounded to the nearest thousand (US$'000) as indicated.

CHANGES IN ACCOUNTING POLICIES – The Group has adopted the following new and revised IFRSs for the first time for the financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets
IAS 12 Amendments	Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE – The Group has not adopted the following new/revised standards and amendments that have been issued but are not yet effective, in these financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans[2]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – Investment Entities[3]
IFRS 13	Fair Value Measurement[2]
IAS 1 Amendments	Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1]
IAS 19 Amendments	Employee Benefits[2]
IAS 27 (Revised)	Separate Financial Statements[2]
IAS 28 (Revised)	Investments in Associates and Joint Ventures[2]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[3]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Annual Improvements 2009 – 2011 cycle	Amendments to a number of IFRSs, issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The directors expect that the adoption of the new/revised standards and amendments above will have no material impact on financial statements of the Group and of the Company in the period of initial application except for the following:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition of financial liabilities.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a reasonable estimate of that effect when a detailed review has been completed.

In May 2011, a package of standards on consolidation, joint arrangements, associates and disclosure was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these standards are described below:

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC 12 Consolidation - Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plan and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plan. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

Annual Improvements 2009 – 2011 cycle

The Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IAS 1 Presentation of Financial Statements clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

BASIS OF CONSOLIDATION – The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

BUSINESS COMBINATIONS – Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy is set out in note for goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TRANSACTIONS WITH NON-CONTROLLING INTERESTS – Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

FOREIGN CURRENCY – The Group's consolidated financial statements are presented in US$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into US$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT – All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy is set out in borrowing cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 terms (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% to 25%	Nil

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The estimated residual value, estimated useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

GOODWILL – Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOODWILL (continued)

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in foreign currency.

PREPAID LEASE PAYMENTS ON LEASEHOLD LAND – The leasehold land is initially measured at cost. Following initial recognition, the leasehold land is measured at cost less accumulated amortisation. The leasehold land is amortised on a straight-line basis over the lease term.

IMPAIRMENT OF NON-FINANCIAL ASSETS – The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

SUBSIDIARIES – A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS – Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

IMPAIRMENT OF FINANCIAL ASSETS – The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost (continued)

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These include bank overdrafts that form an integral part of the Group's cash management but exclude pledged bank deposits used as security for credit facilities of the Group.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Raw materials: purchase costs on a first-in first-out basis.

Work-in-progress and finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in-first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

FINANCIAL LIABILITIES – Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Subsequent measurement (continued)

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

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

BORROWING COSTS – Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

EMPLOYMENT BENEFITS – Employment benefits represent the defined contribution plans operating in Hong Kong, People's Republic of China ("PRC") and Japan and share-based payments to employee.

Defined contribution plans

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiary in an independently administered fund.

Employees of the subsidiaries which operate in PRC are required to participate in a pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYMENT BENEFITS (continued)

Defined contribution plans (continued)

The subsidiary in Japan also maintains an unfunded defined retirement benefit plan for its directors. The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligations.

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

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(b). 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.

LEASES – The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date and on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION – Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is recognised using the effective interest method.

INCOME TAXES – Income tax expense reperesents the sum of the current income tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

Deferred tax (continued)

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would be treated either as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or credited in profit or loss.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SEGMENT REPORTING – For management purposes, the Group is organised into operating segments based on customer profile which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

TREASURY SHARES – The Group's own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

RELATED PARTIES – A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in above (a); and
- (vii) a person identified in above (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS – The Group enters into a variety of financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts and foreign currency options contracts.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency options contracts and forward foreign exchange contracts, to hedge its foreign exchange rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. The judgements, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is 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.

Judgements made in applying Group's accounting policies

Management is of the view that apart from those involving estimates as set out to below of key sources of estimation uncertainty note, it has made no critical judgement in the process of applying the Group's accounting policies 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 each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years 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 2012 amounted to US$1,077,000 (2011: US$499,000). The carrying amount of inventories is disclosed in note 17 to the financial statements.

Impairment of investments in subsidiaries

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 14 to the financial statements. No impairment loss was recognised for the years ended 31 December 2012 and 2011.

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 11 to the financial statements. Impairment loss recongised for the year ended 31 December 2012 amounted to US$1,436,000 (2011: Nil).

4. REVENUE

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

5. OTHER INCOME

	Group	
	2012	2011
	US$'000	US$'000
Gain on disposal of scrap materials	442	334
Interest income from bank deposits and an entrusted loan	554	500
Sales of moulds	95	331
Sub-contracting income	104	125
Sundry income	229	210
	1,424	1,500

6. ADMINISTRATIVE EXPENSES

	Group	
	2012	2011
	US$'000	US$'000
Employee-related expenses	16,745	15,430
Utilities and office expenses	1,465	1,524
Travelling and entertainment expenses	2,207	2,049
Professional fees	1,692	2,196
Rental expenses	1,315	1,247
Depreciation of property, plant and equipment	992	875
Miscellaneous	1,677	1,062
	26,093	24,383

7. FINANCE COSTS

	Group	
	2012	2011
	US$'000	US$'000
Interest expenses on:		
Obligations under finance leases	30	28
Bank and other borrowings	229	272
	259	300

8. PROFIT BEFORE TAX

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

	Group	
	2012	2011
	US$'000	US$'000
Audit fees paid to:		
Auditors of the Company	170	92*
Other auditors	325	535*
Non-audit fees paid to:		
Auditors of the Company	–	–
Other auditors	8	5
Employee benefit expenses (Note 23)	36,319	33,080
Depreciation of property, plant and equipment (Note 11)	3,475	3,356
Amortisation of prepaid lease payments (Note 12)	11	11
Allowance for inventories (Note 17)	654	519
Inventories recognised as an expense in cost of sales (Note 17)	150,540	138,339
(Gain)/Loss on disposal of property, plant and equipment	(22)	236
Net foreign currency exchange gain	(421)	(164)
Change in fair value of derivative financial instruments (Note 19)	38	1
Impairment loss on available-for-sale investments (Note 15)	135	221
Impairment loss on plant and equipment (Note 11)	1,436	–

* Included an amount of US$38,000 and US$77,000 for professional service rendered in respect of the audit for the year ended 31 December 2010 paid to the auditors of the Company and the other auditors respectively.

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group	
	2012	2011
	US$'000	US$'000
Current income tax:		
Current income taxation	6,119	2,988
Underprovision in respect of previous years	89	5
	6,208	2,993
Deferred income tax (Note 24)	589	194
	6,797	3,187

9. INCOME TAX EXPENSE (continued)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 31 December 2012 and 2011 are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Profit before tax	18,220	7,885
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,279	2,201
Adjustments:		
Non-deductible expenses	2,086	934
Income not subject to taxation	(713)	(514)
Effect of tax exemption granted to PRC subsidiaries	–	(22)
Tax effect from previously unrecognised tax losses	(415)	61
Underprovision in respect of previous years	89	5
Effect of capital gain tax on equity interests transfer within the companies in Group	579	–
Effect of withholding tax at 5% or 10% on the undistributed earnings of PRC subsidiaries (Note 24)	892	522
Income tax expense recognised in profit or loss	6,797	3,187

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company (after adjusting for interest expense on convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

10. EARNINGS PER SHARE (continued)

	Group 2012 US$'000	Group 2011 US$'000
Profit attributable to owners of the Company	11,406	4,683
	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation*	473,894	496,523
Effect of dilutive share options	4,048	2,628
Weighted average number of ordinary shares for diluted earnings per share computation*	477,942	499,151

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

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvement US$'000	Motor vehicles US$'000	Total US$'000
GROUP						
Cost						
At 1 January 2011	11,870	18,305	6,477	9,338	915	46,905
Additions	23	3,041	258	55	158	3,535
Disposals	–	(1,028)	(286)	(1,078)	(134)	(2,526)
Exchange differences	601	889	243	413	40	2,186
At 31 December 2011 and 1 January 2012	12,494	21,207	6,692	8,728	979	50,100
Additions	24	1,674	252	45	238	2,233
Disposals	–	(1,102)	(624)	(23)	(156)	(1,905)
Transfer	–	(190)	–	190	–	–
Exchange differences	(245)	(232)	(223)	(136)	–	(836)
At 31 December 2012	12,273	21,357	6,097	8,804	1,061	49,592
Accumulated depreciation and impairment loss						
At 1 January 2011	1,831	10,927	4,837	6,292	601	24,488
Depreciation	491	1,738	552	470	105	3,356
Disposals	–	(235)	(267)	(1,018)	(122)	(1,642)
Exchange differences	105	580	184	294	25	1,188
At 31 December 2011 and 1 January 2012	2,427	13,010	5,306	6,038	609	27,390
Depreciation	500	2,031	472	337	135	3,475
Disposals	–	(769)	(608)	(15)	(147)	(1,539)
Impairment loss	692	744	–	–	–	1,436
Transfer	–	(190)	–	190	–	–
Exchange differences	(28)	(110)	(186)	(83)	–	(407)
At 31 December 2012	3,591	14,716	4,984	6,467	597	30,355
Net carrying amount						
At 31 December 2011	10,067	8,197	1,386	2,690	370	22,710
At 31 December 2012	8,682	6,641	1,113	2,337	464	19,237

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets held under finance leases

The carrying amount of the Group's plant and equipment held under finance leases at the end of the reporting period was US$1,427,000 (2011: US$1,160,000) (Note 27).

Leased assets are pledged as security for the related finance lease liabilities.

Impairment of plant and equipment

During the financial year, the Group carried out a review of the recoverable amount of its production equipment because of the termination of metal stamping operation. An impairment loss of US$1,436,000 (2011: Nil), representing the write-down of the equipment to the recoverable amount, was recognised in profit or loss for the financial year ended 31 December 2012.

12. PREPAID LEASE PAYMENTS

	Group	
	2012	2011
	US$'000	US$'000
Cost		
At 1 January	523	497
Exchange differences	1	26
At 31 December	524	523
Accumulated amortisation		
At 1 January	45	31
Amortisation for the year	11	11
Exchange differences	–	3
At 31 December	56	45
Net carrying amount	468	478
Portion classified as current assets	(9)	(9)
Non-current portion	459	469
Amount to be amortised:		
Not later than one year	9	9
Later than one year but not later than five years	45	45
Later than five years	414	424

The Group has prepaid lease payments over a plot of state-owned land in PRC where the Group's manufacturing facilities reside. The prepaid lease payments are not transferable and have a remaining tenure of 43.4 years (2011: 44.4 years).

13. GOODWILL

	Group US$'000
Cost	
At 1 January 2011, 31 December 2011 and 31 December 2012	1,516
Accumulated impairment	
At 1 January 2011, 31 December 2011 and 31 December 2012	(1,516)
Net carrying amount	
31 December 2011 and 31 December 2012	–

Goodwill acquired in a business combination is allocated, to 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"), as a single CGU.

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

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

During the year ended 31 December 2011, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next financial year and extrapolates cash flows for the following four years based on an estimated growth rate for second year of 1% and no growth for third to fifth year. The Group also estimates a terminal value assuming no growth beyond this period and the rate used to discount the forecast cash flows to net present value is 9% per annum.

During the year ended 31 December 2011, due to the operation in Japan undergoing an internal restructuring and downsizing in its manufacturing capacity, goodwill arising from the acquisition of TM Japan was fully impaired.

14. INVESTMENT IN SUBSIDIARIES

(a)

	Company	
	2012 US$'000	2011 US$'000
Unquoted equity shares, at cost	9,642	9,642
Recognition of share-based payments	1,093	1,093
	10,735	10,735

14. INVESTMENT IN SUBSIDIARIES (continued)

(b) The amount due from a subsidiary included in the Company's non-current assets of US$15,876,000 (2011: US$17,632,000) is unsecured, bears interest at 2% (2011: 2%) per annum and not repayable within 12 months from the end of the reporting period.

In the opinion of management, the fair value of the amount due from the subsidiary approximates its carrying amount.

(c) Details of the Company's subsidiaries are as follows:

Name	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2012 %	2011 %
Held by the Company				
Tomoike Industrial (Hong Kong) Holding Limited (i) ("TM Hong Kong BVI")	British Virgin Islands ("BVI")	Investment holding	100	100
Held by TM Hong Kong BVI				
Tomoike Industrial (H.K.) Limited (ii) ("TM Hong Kong")	Hong Kong	Trading of parts and precision accessories for office equipment, electrical appliances and LCD modules, and LCD backlight units for LCD modules	100	100
Held by TM Hong Kong				
Crystal Display Components (Suzhou) Co., Limited (ii) ("CD Suzhou")	Suzhou, PRC	Manufacturing and trading of parts and precision accessories for LCD modules	100	100
Tomoike Electronics (Shanghai) Co., Limited (ii) ("TM Pudong")	Shanghai, PRC	Manufacturing and trading of parts and precision accessories for LCD modules	100	100
Tomoike Precision Machinery (Shanghai) Co., Limited (ii) ("TM Shanghai")	Shanghai, PRC	Manufacturing and trading of parts and precision accessories for office equipment and electrical appliances	100	100

14. INVESTMENT IN SUBSIDIARIES (continued)

(c) Details of the Company's subsidiaries are as follows: (continued)

Name	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2012 %	2011 %
Held by TM Hong Kong (continued)				
Tomoike Industrial Co., Limited (i) ("TM Japan")	Osaka, Japan	Manufacturing of LCD backlight units for LCD modules, manufacturing and trading of parts and precision accessories for office equipment, electrical appliances and LCD modules	100	100
Crystal Display (Shanghai) Holding Limited (i) ("CD Shanghai BVI")	BVI	Investment holding	100	100
Wah Hang Precision Machinery (H.K.) Limited (ii) ("WH Hong Kong")	Hong Kong	Investment holding	100	100
S.M.T. Assembly Limited (ii) ("SMT Hong Kong")	Hong Kong	Provision of surface mounting technique services in electronic product assembly	86	86
Crystal Display Components (Shanghai) Co., Limited (ii) ("CD Shanghai")	Shanghai, PRC	Manufacturing of LCD backlight units for LCD modules	100	100
Held by CD Shanghai BVI				
Tomoike Precision Machinery (Dongguan) Co., Limited (ii) ("TM Dongguan")	Dongguan, PRC	Manufacturing and trading of parts and precision accessories for LCD modules and manufacturing of LCD backlight units for LCD modules	100	100

14. INVESTMENT IN SUBSIDIARIES (continued)

(c) Details of the Company's subsidiaries are as follows: (continued)

Name	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2012 %	2011 %
Held by WH Hong Kong				
Wah Hang Precision Machinery (Dongguan) Limited (ii) ("WH Dongguan")	Dongguan, PRC	Manufacturing and trading of parts and precision accessories for office equipment and electrical appliances	100	100
Held by SMT Hong Kong				
Dongguan Dali S.M.T. Assembly Limited (ii) ("SMT Dongguan")	Dongguan, PRC	Provision of surface mounting technique services in electronic product assembly	86	86
Held by TM Shanghai				
Shanghai Gu Chang Yu Printing Technology Co., Limited (ii) ("GCY Shanghai")	Shanghai, PRC	Provision of label printing services	100	100

(i) Not required to be audited in the country of incorporation but audited for the purpose of incorporation in the consolidated financial statements of the Group by Ernst & Young, Hong Kong or member firms of Ernst & Young Global in the respective countries.

(ii) Audited for the purpose of incorporation in the consolidated financial statements of the Group by Ernst & Young, Hong Kong or member firms of Ernst & Young Global in the respective countries.

15. INVESTMENTS

	Notes	Group 2012 US$'000	2011 US$'000
Non-current:			
Available-for-sale investments:			
Equity securities (quoted)	(a)	89	180
Debt securities (unquoted)	(b)	616	480
		705	660
Held-to-maturity investment:			
Funds in a leveraged lease arrangement (unquoted)	(c)	983	978
		1,688	1,638
Current:			
Loans and receivables	(d)	4,938	–

15. INVESTMENTS (continued)

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 the current year, impairment loss of these quoted equity securities amounts to US$135,000 (2011: Nil) was charged to profit or loss. And, gain in fair value of US$32,000 (2011: Loss in fair value of US$40,000) was recognised in other comprehensive income in current financial year.

(b) The unquoted debt securities of US$616,000 (2011: US$480,000) have no interest for the year (2011: Nil) and will mature in October 2035.

During the year ended 31 December 2012, no impairment loss on these unquoted debt securities was charged to profit or loss (2011: US$221,000). And, the gain in fair value of US$188,000 (2011: Nil) was recognised in other comprehensive income in current financial year.

The fair value of these unquoted debt securities was estimated by reference to current valuation provided by the issuing bank.

(c) As at 31 December 2012 and 2011, the held-to-maturity investment represented the investment of funds in a leveraged lease arrangement entered into by a 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.

(d) During the year, a subsidiary of the Company, CD Suzhou advanced an entrusted loan to Suzhou Mudu Construction and Development Co., Limited with a carrying amount of US$4,938,000, including original principal of US$4,773,000 and interest income receivable of USD$165,000, with a term of 12 months at an interest rate of 10% per annum.

16. OTHER ASSETS

	Group	
	2012	2011
	US$'000	US$'000
Directors' insurance	168	147
Rental deposits	573	649
	741	796

Directors' insurance represents the surrender values of an insurance policy taken by TM Japan, a subsidiary of the Company. Under the policy, TM Japan pays 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.

17. INVENTORIES

	Group 2012 US$'000	Group 2011 US$'000
Statement of financial position:		
Raw materials	3,680	4,554
Work-in-progress	745	788
Finished goods	6,102	6,917
	10,527	12,259
Consolidated income statement:		
Inventories recognised as an expense in cost of sales	150,540	138,339
Inclusive of the charge: allowances for inventories	654	519

Allowances for inventories are made in full for the inventories with poor sales prospects.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade receivables	25,728	24,228	–	–
Other receivables	362	285	–	–
Tax recoverable	7	7	–	–
Deposits	407	354	–	–
Prepayments	836	1,054	26	29
Value-added tax recoverable	491	218	–	–
	27,831	26,146	26	29

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms of 60 days (2011: 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Group's trade and other receivables denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group 2012 US$'000	Group 2011 US$'000
Japanese Yen ("JPY")	37	659
US$	19,421	13,093

18. TRADE AND OTHER RECEIVABLES (continued)

The Group has trade receivables amounting to US$2,140,000 (2011: US$1,625,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and their aging analysis at the end of the reporting period are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 30 days overdue	2,047	1,249
30 to 60 days overdue	63	231
Over 60 days overdue	30	145
	2,140	1,625

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group					
	2012			2011		
	Contract amount	Assets	Liabilities	Contract amount	Assets	Liabilities
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward foreign exchange contracts	–	–	–	400	1	–
Foreign currency options contracts	1,083	–	37	–	–	–

The Group utilises forward foreign exchange contracts to sell US$ to manage its foreign exchange exposures against JPY. The forward foreign exchange contracts have maturity dates from January 2012 to February 2012.

Change in fair value of the forward foreign exchange contracts amounting to US$1,000 had been charged to profit or loss (2011: US$1,000 credited in profit or loss).

The Group entered into foreign currency options contracts with banks to manage its foreign exchange exposures. Under the contracts, the Group has the option to buy JPY with US$ at a fixed rate and similarly, the banks have the option to buy US$ using JPY at the same rate. In 2012, the foreign currency options contracts have maturity dates from January 2013 to March 2013.

Change in fair value of the foreign currency options contracts amounting to US$37,000 (2011: US$2,000) had been charged to profit or loss.

20. CASH AND BANK BALANCES

	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
Cash at banks and on hand	40,738	26,621	58	362
Short-term deposits	12,657	19,028	–	–
	53,395	45,649	58	362
Less: pledged bank deposit	(143)	(143)	–	–
	53,252	45,506	58	362

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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 7 days and 90 days, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2012 for the Group was 1.99% (2011: 2.41%) per annum.

Fixed deposit of US$143,000 (2011: US$143,000) was placed as security for banking facilities. This fixed deposit earns an average interest rate of 0.55% (2011: 0.35%) per annum and will mature 9 months (2011: 9 months) after the end of the reporting period.

The Group's cash and bank balances denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group 2012 US$'000	Group 2011 US$'000
JPY	2,764	1,471
US$	12,466	3,847
Singapore Dollars ("SG$")	20	138

21. BANK AND OTHER BORROWINGS

	Maturity	Group 2012 US$'000	Group 2011 US$'000
Current:			
Bank borrowings, unsecured	2013	5,236	7,452
Corporate bonds, unsecured	2012	–	2,986
		5,236	10,438
Non-current:			
Bank borrowings, unsecured	2014 - 2017	5,360	3,500
Total bank and other borrowings		10,596	13,938

21. BANK AND OTHER BORROWINGS (continued)

Bank borrowings

The bank borrowings are unsecured and bear interest between 0.56% to 2.95% (2011: 0.69% to 2.95%) per annum.

Corporate bonds

As at 31 December 2011, the corporate bonds related 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	Repayment terms
JPY 100,000,000	0.84%	Lump sum payment in September 2012
JPY 100,000,000	0.79%	By semi-annual instalments until October 2012
JPY 100,000,000	0.92%	Lump sum payment in December 2012

Bank and other borrowings amounted to US$759,000 (2011: US$4,452,000) 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$9,837,000 (2011: US$9,486,000) are unsecured and carry at fixed interest rate.

Management considers the carrying values of the Group's bank and other borrowings approximate their fair values.

Group's bank and other borrowings denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group	
	2012	2011
	US$'000	US$'000
JPY	–	1,004
US$	6,350	9,140

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Trade creditors	32,716	27,566	–	–
Accruals	2,023	1,898	–	–
Other payables	3,542	3,204	272	166
	38,281	32,668	272	166

22. TRADE AND OTHER PAYABLES (continued)

Trade payables

Trade payables are non-interest-bearing and are generally settled on terms of 30 to 120 days (2011: 30 to 120 days).

The Group's trade and other payables denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group	
	2012	2011
	US$'000	US$'000
JPY	1,854	1,055
US$	18,284	12,819

23. EMPLOYEE BENEFITS

		Group	
		2012	2011
	Notes	US$'000	US$'000
Employee benefit expenses, including directors:			
Salaries and bonuses		32,313	29,999
Defined contribution plans		3,517	2,925
Defined retirement benefit plan	(a)	489	156
		36,319	33,080

(a) Retirement benefit obligations

TM Japan maintains an unfunded defined retirement benefit plan for its directors. The expense for the year amounting to approximately US$489,000 (2011: US$156,000) has been charged in profit or loss. The retirement benefit obligations with carrying amount of US$1,309,000 (2011: US$947,000) at year end represent the present value of the defined retirement benefit plan.

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.

(b) Share-based payments

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.

23. EMPLOYEE BENEFITS (continued)

(b) Share-based payments (continued)

Information on share-based payment arrangements is as follows:

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Issued on 11 June 2008	19,032,000	11 June 2008	10 June 2013	SG$0.07	US$0.01

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

	Group and Company						
Date of grant	Balance at 1 January 2012	Granted	Exercised	Cancelled/ Lapsed	Balance at 31 December 2012	Exercise price per share	Exercisable period
11 June 2008	19,032,000	–	(1,464,000)	(1,464,000)	16,104,000	SG$0.07	11 June 2009 to 10 June 2013

In 2012, 1,464,000 share options were lapsed on the ground that the employee left the Group. In addition, 1,464,000 share options were exercised under the Scheme.

The number of share options exercisable at the end of the year amounted to 16,104,000 (2011: 19,032,000)

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 0.4 years (2011: 1.4 years).

The fair value of the share options granted under the Scheme is estimated at the grant date using valuation model, taking into account the terms and conditions upon which the share options were granted.

The inputs into the model were as follows:

Dividend yield (%)	4.46
Expected volatility (%)	57.80
Risk-free interest rate (%)	1.852
Expected life of option (year)	3
Weighted average exercise price (Singapore cents)	7.0
Weighted average share price on date of grant (Singapore cents)	6.5

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.

For the years ended 31 December 2012 and 2011 the Group did not recognise any expenses related to equity-settled share-based payments.

24. DEFERRED TAX

	Group			
	Consolidated statement of financial position		Consolidated income statement	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Deferred tax liabilities				
Difference in depreciation for tax purpose	(180)	(237)	37	55
Temporary difference relating to held-to-maturity investment	(623)	(725)	34	54
Directors' insurance	(28)	(25)	(6)	(6)
Retirement benefit obligations	505	379	176	62
Withholding tax on undistributed earnings of PRC subsidiaries (Note 9)	(925)	(535)	(892)	(522)
Others	457	527	62	163
	(794)	(616)		
Deferred tax expense (Note 9)			(589)	(194)

Withholding tax on undistributed earnings of PRC subsidiaries

Pursuant to the Corporate Income Tax ("CIT") Law, a 5% or 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately US$2,262,000 (2011: US$5,900,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2011: Nil) attached to the dividends to the shareholders proposed by the Company that are recongised as a liabilities in the financial statements (Note 34).

25. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2012		2011	
	Number of ordinary shares	US$	Number of ordinary shares	US$
Authorised				
At beginning and end of the year	1,500,000,000	30,000,000	1,500,000,000	30,000,000
Issued and fully paid up				
At beginning and end of the year	504,354,221	10,087,000	504,354,221	10,087,000

As at 31 December 2012, 44,512,000 (2011: 21,306,000) of ordinary shares include in above shares had been purchased on the SGX-ST under the Shares Purchase Mandate and held as treasury shares.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restrictions.

The Company has one employee share option scheme under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

(b) Treasury shares

	Group and Company			
	2012		2011	
	Number of shares '000	US$'000	Number of shares '000	US$'000
At 1 January	21,306	1,347	820	33
Acquired during the financial year	24,670	1,866	20,486	1,314
Treasury shares transferred out to satisfy share options exercised	(1,464)	(98)	–	–
At 31 December	44,512	3,115	21,306	1,347

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year ended 31 December 2012, the Company acquired 24,670,000 shares in the Company on the SGX-ST under the Shares Purchase Mandate. The total amount paid to acquire these shares was US$1,866,000 and this was presented as a component within shareholders' equity. In addition, 1,464,000 treasury shares with an amount of US$98,000 were transferred out to satisfy share options exercised under the Scheme.

26. MERGER RESERVE, STATUTORY RESERVE FUND, ENTERPRISE EXPANSION FUND, OTHER RESERVES, FAIR VALUE ADJUSTMENT RESERVE AND FOREIGN CURRENCY TRANSLATION RESERVE

Merger reserve

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

Statutory Reserve Fund

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the PRC, a subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

Enterprise Expansion Fund

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

The amount 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 represent staff welfare fund appropriated from retained earnings at a discretionary percentage of profit after tax for the year.

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale investments until they are disposed of or impaired.

Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into US$ are brought to account by recognising those exchange differences in other comprehensive income and accumulating them under foreign currency translation reserve.

27. FINANCE LEASES

The Group leases certain of its plant and equipment under finance leases and have remaining lease terms ranging from one to five years.

At the end of each reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Amounts payable:				
Within one year	433	371	410	349
In the second to fifth year, inclusive	486	394	466	380
	919	765	876	729
Less: Future finance charges	(43)	(36)		
Present value of lease obligations	876	729		
Portion classified as current liabilities	(410)	(349)		
Non-current portion	466	380		

The borrowing rates ranged from 1.50% to 6.50% (2011: 1.50% to 6.50%) per annum. Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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' titles to the leased assets (Note 11).

The Group's finance leases denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group	
	2012	2011
	US$'000	US$'000
US$	646	280

28. RELATED PARTY TRANSACTIONS

Transactions/balances with related parties

Some of the Group's transactions and arrangements are with related parties and the effect of these on the bases determined between the parties is reflected in these financial statements. The balances arising from related party transactions are unsecured, non-interest-bearing and repayable on demand unless otherwise stated.

28. RELATED PARTY TRANSACTIONS (continued)

Compensation of directors and key management personnel

	Group	
	2012	2011
	US$'000	US$'000
Short-term benefits	2,624	2,812

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

29. COMMITMENTS

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group	
	2012	2011
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	–	80

Operating lease commitments – as lessee

In addition to the prepaid lease payments on leasehold land disclosed in note 12, the Group has entered into commercial leases on certain offices, factory properties and apartments. These leases have an average term of between one and five years with no renewal option and there is no contingent rent provision included in the contracts.

Minimum lease payments, including amortisation of prepaid leases recognised as an expense in profit or loss for the financial year ended 31 December 2012 amounted to US$2,874,000 (2011: US$2,748,000).

Future minimum rental payables under non-cancellable operating leases (excluding prepaid lease payments on leasehold land) at the end of the reporting period are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Not later than one year	1,739	2,076
Later than one year but not later than five years	1,068	1,301
	2,807	3,377

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	2012			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
GROUP				
Financial assets:				
Available-for-sale investments: (Note 15)				
Equity securities (quoted)	89	–	–	89
Debt securities (unquoted)	–	616	–	616
At 31 December 2012	89	616	–	705
Financial liabilities:				
Derivative financial instruments: (Note 19)				
Foreign currency options contracts	–	(37)	–	(37)
At 31 December 2012	–	(37)	–	(37)

	2011			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
GROUP				
Financial assets:				
Available-for-sale investments: (Note 15)				
Equity securities (quoted)	180	–	–	180
Debt securities (unquoted)	–	480	–	480
Derivative financial instruments: (Note 19)				
Forward foreign exchange contracts	–	1	–	1
At 31 December 2011	180	481	–	661
Financial liabilities:				
At 31 December 2011	–	–	–	–

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Group classifies fair value measurement 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:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – 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 3 – Inputs for the asset or liability that are not based on observable market data

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 2012 and 2011.

The Company has no financial assets or liabilities carried at fair value as at 31 December 2012 and 2011.

Determination of fair value

Quoted equity instruments (Note 15): fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Unquoted debt instruments (Note 15): fair value is estimated with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions and dealer quotes for similar instruments.

Derivative financial instruments (Note 19): fair value is calculated using quoted prices.

Fair value of financial instruments by class that are not carried at fair value and whose carrying amounts are reasonable approximations of their fair values

The carrying amounts of current trade and other receivables (Note 18), trade and other payables (Note 22) are reasonable approximations of their fair values, due to their short-term nature.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

The following table set out the financial instruments as at the end of the reporting period:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Available-for-sale investments	705	660	–	–
Held-to-maturity investment	983	978	–	–
Fair value through profit or loss derivative financial instruments	–	1	–	–
Loan and receivables (including cash and cash equivalents)	84,830	70,516	15,934	17,994
Financial liabilities:				
Amortised cost	50,936	48,201	272	166
Fair value through profit or loss derivative financial instruments	37	–	–	–

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. Management reviews and agrees policies and procedures for the management of these risks. The board of directors provides oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets (including investments, cash and short-term deposits and derivative financial instruments), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures as a mean of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis. Therefore, the Group's exposure to bad debts is not significant.

The Group has a few major customers resulting in concentration of credit risk. The top five customers of the Group accounted for approximately 84% (2011: 76%) of the trade 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 have 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.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the end of the reporting period, approximately 49% (2011: 75%) of the Group's bank and other borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debts and concluded that such risk is low. Access to sources of funding is sufficiently available and debts maturing within 12 months can be rolled over with existing lenders.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	31 December 2012				31 December 2011			
	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
GROUP								
Financial assets:								
Trade and other receivables	26,497	–	–	26,497	24,867	–	–	24,867
Cash and short-term deposits	53,745	–	–	53,745	46,157	–	–	46,157
Derivative financial instruments	–	–	–	–	1	–	–	1
Held-to-maturity investment	–	983	–	983	–	978	–	978
Available-for-sale investments	–	–	616	616	–	–	480	480
Total undiscounted financial assets	80,242	983	616	81,841	71,025	978	480	72,483
Financial liabilities:								
Trade and other payables	38,155	1,309	–	39,464	32,587	947	–	33,534
Bank and other borrowings	5,315	5,451	–	10,766	10,570	3,577	–	14,147
Finance leases	420	479	–	899	358	388	–	746
Derivative financial instruments	37	–	–	37	–	–	–	–
Total undiscounted financial liabilities	43,927	7,239	–	51,166	43,515	4,912	–	48,427
Total net undiscounted financial assets/(liabilities)	36,315	(6,256)	616	30,675	27,510	(3,934)	480	24,056
COMPANY								
Financial assets:								
Cash and short-term deposits	58	–	–	58	362	–	–	362
Amount due from a subsidiary	–	16,194	–	16,194	–	17,985	–	17,985
Total undiscounted financial assets	58	16,194	–	16,252	362	17,985	–	18,347
Financial liabilities:								
Trade and other payables	272	–	–	272	166	–	–	166
Total undiscounted financial liabilities	272	–	–	272	166	–	–	166
Total net undiscounted financial assets/(liabilities)	(214)	16,194	–	15,980	196	17,985	–	18,181

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their bank balances and fixed deposits that are at variable rate and certain bank and other borrowings that are arranged at variable interest rates pegged to the prevailing prime rates in Hong Kong and Japan. The Group does not enter into any financial derivatives to manage interest rate risk.

Interest rate sensitivity

At the end of the reporting period, if interest rates had been 50 (2011: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been US$199,000 (2011: US$110,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate bank and other borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the respective functional currencies of Group entities, primarily JPY, US$ and SG$, and therefore exposed to foreign exchange risk.

	Group			
	Liabilities		Assets	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
JPY	1,854	2,059	2,801	2,130
US$	25,280	22,239	31,887	16,940
SG$	–	–	20	138

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

The Group 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/decrease in exchange rates of the relevant foreign currencies 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.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Foreign currency sensitivity (continued)

If the following foreign currencies strengthen by 10% against the functional currency of each group entity, profit before tax would increase/(decrease) by:

	Group	
	2012	2011
	US$'000	US$'000
JPY	95	7
US$	661	(530)
SG$	2	14

If the following foreign currencies weaken by 10% against the functional currency of each group entity, profit before tax would increase/(decrease) by:

	Group	
	2012	2011
	US$'000	US$'000
JPY	(95)	(7)
US$	(661)	530
SG$	(2)	(14)

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

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on stock exchange in Japan and are classified as available-for-sale financial assets.

Equity price sensitivity

At the end of the reporting period, if equity prices were 10% (2011: 10%) higher/lower with all other variables held constant, there would have been no impact on the Group's profit before tax and the Group's fair value adjustment reserve in equity would have been US$9,000 higher/lower (2011: US$18,000 higher/lower), arising as a result of an increase/decrease in the fair value of equity securities classified as available-for-sale investments.

32. CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of the Group's operation condition. To maintain or adjust the capital structure, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-back as well as the issue of new debts or the redemption of existing debts. The Group also reviews the capital structure on a semi-annual basis and whenever necessary. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

As disclosed in note 26, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain non-distributable SRF whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2012 and 2011.

33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

- LCD backlight units: manufacturing of LCD backlight units for LCD modules
- Office automation: manufacturing and trading of parts and precision accessories for office equipment and electrical appliances
- LCD parts and accessories: manufacturing and trading of parts and precision accessories for LDC modules

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

33. SEGMENT INFORMATION (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income statement which, in certain respects as explained in the table below, is measured differently from operating income in the consolidated financial statements. Corporate expenses, finance costs, interest income and income tax expense are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	LCD backlight units US$'000	Office automation US$'000	LCD parts and accessories US$'000	Eliminations US$'000	Total US$'000
2012					
REVENUE					
External sales	125,362	22,072	48,982	–	196,416
Inter-segment sales	–	1,638	3,348	(4,986)	–
Total revenue	125,362	23,710	52,330	(4,986)	196,416
RESULTS					
Segment results	15,270	(1,591)	7,656	–	21,335
Unallocated corporate expenses					(3,410)
Operating profit					17,925
Finance costs					(259)
Interest income					554
Profit before tax					18,220
Income tax expense					(6,797)
Profit for the year					11,423
2011					
REVENUE					
External sales	111,450	25,418	36,238	–	173,106
Inter-segment sales	4	4,731	3,639	(8,374)	–
Total revenue	111,454	30,149	39,877	(8,374)	173,106
RESULTS					
Segment results	8,072	1,173	3,202	–	12,447
Impairment loss on goodwill					(1,516)
Unallocated corporate expenses					(3,246)
Operating profit					7,685
Finance costs					(300)
Interest income					500
Profit before tax					7,885
Income tax expense					(3,187)
Profit for the year					4,698

33. SEGMENT INFORMATION (continued)

	LCD backlight units US$'000	Office automation US$'000	LCD parts and accessories US$'000	Eliminations US$'000	Total US$'000
2012					
ASSETS					
Segment assets	51,530	17,719	43,499	(1,275)	111,473
Unallocated assets					7,352
Consolidated total assets					118,825
LIABILITIES					
Segment liabilities	17,531	4,524	17,279	(1,275)	38,059
Bank and other borrowings and finance leases					11,472
Unallocated liabilities					6,348
Consolidated total liabilities					55,879
OTHER INFORMATION					
Capital expenditure	404	220	1,609	–	2,233
Depreciation of property, plant and equipment	636	402	2,437	–	3,475
Allowance for inventories	34	88	532	–	654
Amortisation of prepaid lease payments	–	–	11	–	11
2011					
ASSETS					
Segment assets	44,046	18,373	46,286	(1,729)	106,976
Unallocated assets					2,701
Consolidated total assets					109,677
LIABILITIES					
Segment liabilities	13,047	6,126	14,869	(1,729)	32,313
Bank and other borrowings and finance leases					14,667
Unallocated liabilities					4,121
Consolidated total liabilities					51,101
OTHER INFORMATION					
Capital expenditure	595	1,071	1,869	–	3,535
Depreciation of property, plant and equipment	654	452	2,250	–	3,356
Allowance for inventories	53	153	313	–	519
Amortisation of prepaid lease payments	–	–	11	–	11

33. SEGMENT INFORMATION (continued)

Geographical information

Revenue and non-current assets information based on the geographical location of external customers and assets respectively are as follows:

	Revenue from external customers		Carrying amount of non-current assets*	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Hong Kong	44,116	49,506	221	1,263
PRC	128,826	103,965	16,411	18,132
Japan	17,228	19,630	3,637	4,434
Others	6,246	5	–	–
	196,416	173,106	20,269	23,829

* Non-current assets mainly comprise property, plant and equipment, prepaid lease payments and rental deposits as presented in consolidated financial position.

Information about a major customer

Revenue from one major customer accounted for 77% (2011: 77%) of total revenue, arising from sales with all segments.

34. DIVIDENDS

	Group and Company	
	2012	2011
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt dividend for 2011: 0.4 US cents (2011: 0.3 US cents) per share	1,910	1,511
Interim exempt dividend for 2012: 0.5 US cents (2011: 0.3 US cents) per share	2,351	1,461
	4,261	2,972
Proposed but not recognised as a liability as at 31 December:		
Estimated dividends on ordinary shares as at 31 December 2012, subject to shareholders' approval at the AGM:		
Final exempt dividend for 2012: 0.7 US cents (2011: 0.4 US cents) per share	3,219	1,932

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Acquisition of entire equity interest in Minami Tec (Wuxi) Co., Limited (美南电子元件(无锡)有限公司) ("MT Wuxi")

On 15 January 2013, the Group acquired the entire equity interest in MT Wuxi, which is engaged in provision of plastic injection for electronic consumer products and automobile. The purchase consideration of approximately US$217,000 for the acquisition was in the form of cash and was paid on the acquisition date.

Because the acquisition of MT Wuxi was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about acquisition.

(b) Termination of CD Suzhou's business operations

On 25 January 2013, the Group announced that it intends to terminate CD Suzhou's business operations which comprise the metal stamping business in the third quarter of 2013 in preparation of surrendering the land and buildings to the management committee of the Mu Du Economic Development Zone at the end of 2013.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 28 March 2013.

Statistics of Shareholdings

As at 12 March 2013

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	3	0.20	1,000	0.00
1,000 - 10,000	613	40.01	2,715,000	0.59
10,001 - 1,000,000	886	57.83	73,687,951	16.03
1,000,001 and above	30	1.96	383,318,270	83.38
Total	**1,532**	**100.00**	**459,722,221**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Mikuni Co., Limited	239,680,000	52.14
2.	DMG & Partners Securities Pte Ltd	37,248,221	8.10
3.	DBS Nominees Pte Ltd	24,348,000	5.30
4.	Lim & Tan Securities Pte Ltd	7,622,000	1.66
5.	OCBC Securities Private Ltd	6,770,049	1.47
6.	DBS Vickers Securities (S) Pte Ltd	6,729,000	1.46
7.	Phillip Securities Pte Ltd	6,351,000	1.38
8.	UOB Kay Hian Pte Ltd	6,071,000	1.32
9.	Ng Hwee Koon	5,000,000	1.09
10.	Lim Buan Hua	3,988,000	0.87
11.	Citibank Nominees Singapore Pte Ltd	3,920,000	0.85
12.	Low Chee Leng	3,599,000	0.78
13.	Maybank Kim Eng Securities Pte. Ltd.	3,587,000	0.78
14.	Ong Peng Koon Gilbert	3,041,000	0.66
15.	Wong Kee Toot	3,023,000	0.66
16.	Teo Boon Choi	2,719,000	0.59
17.	Yun Soo Har	2,065,000	0.45
18.	Mayban Nominees (S) Pte Ltd	1,900,000	0.41
19.	Asugan s/o Kunchu Sanggaram	1,756,000	0.38
20.	Armstrong Industrial Corporation Limited	1,700,000	0.37
	Total	**371,117,270**	**80.72**

Statistics of Shareholdings

As at 12 March 2013

Class of equity securities	:	Ordinary share
No. of equity securities (excluding treasury shares)	:	459,722,221
Voting rights	:	One vote per share

As at 12 March 2013, the total number of treasury shares held is 44,632,000. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 9.71%.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2013

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	239,680,000	52.14	–	–
Yoshimi Kunikazu [1]	18,405,221	4.00	239,680,000	52.14

Note:

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

PUBLIC FLOAT

As at 12 March 2013, 43.5% 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 Sandalwood Room, Swissôtel Merchant Court Singapore, 20 Merchant Road, Singapore 058281 on Monday, 29 April 2013 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Audited Financial Statements of the Company for the year ended 31 December 2012 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.7 US cents per ordinary share (tax not applicable) for the year ended 31 December 2012 (2011: Final dividend of 0.4 US cents per ordinary share (tax not applicable)). **(Resolution 2)**

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

   Mr URANO Koichi **(Resolution 3)**
   Mr KIYOTA Akihiro **(Resolution 4)**
   Mr NG Wai Kee **(Resolution 5)**

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

4. To approve the payment of Directors' fees up to SG$255,000 for the year ending 31 December 2013 (2012: SG$287,000). **(Resolution 6)**

5. To re-appoint Ernst & Young in Hong Kong as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

7. Authority to issue shares

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

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

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

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

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

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) 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:

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

(bb) 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

(cc) 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 8)**

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

That the Directors of the Company be authorised and empowered to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) from time to time such number of fully paid-up ordinary shares as may be required to be allotted, issued and/or delivered pursuant to the exercise of options granted under the CDW Holding Share Option Scheme (the "ESOS 2004") prior to its expiry but remain unexercised, provided that the total number of ordinary shares over which such options are granted, when added to the total number of ordinary shares issued and issuable or delivered and deliverable in respect of (a) all options granted under the ESOS 2004, and (b) all awards, shares and options granted under any other share option, share, incentive, performance scheme or restricted share plan implemented by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the number of all issued ordinary shares (excluding treasury shares) of the Company on the day preceding such date, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Tan San-Ju
Secretary

Singapore
5 April 2013

Explanatory Notes:

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

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) Although the ESOS 2004 had expired on 8 November 2009, outstanding options granted prior to that date subsist and remain exercisable pursuant to the Rules of ESOS 2004.

The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) fully paid-up ordinary shares in the Company pursuant to the exercise of options granted under the ESOS 2004 prior to its expiry but remain unexercised. The total number of ordinary shares to be allotted, issued and/or delivered over which such options had been granted, when added to the total number of ordinary shares issued and issuable or delivered and deliverable in respect of (a) all options granted under the ESOS 2004, and (b) all awards, shares and options granted under any other share option, share, incentive, performance scheme or restricted share plan implemented by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the number of all issued ordinary shares (excluding treasury shares) of the Company on the day preceding such date.

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