

**CDW HOLDING LIMITED**  
(Incorporated in Bermuda on 2 April 2004)  
(Bermuda Company Registration Number: 35127)

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**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS IN RELATION TO THE ANNUAL  
GENERAL MEETING TO BE HELD ON 28 APRIL 2023**

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The Board of Directors (the "**Board**") of CDW Holding Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") would like to thank all shareholders who submitted their questions in advance of the Company's Annual General Meeting to be held by way of electronic means on Friday, 28 April 2023 at 3.00 p.m. (Singapore time).

The Company has also received questions from the Securities Investors Association (Singapore) and has grouped all substantial and relevant questions received under a few key sections.

Please refer to the Company's responses to the substantial and relevant questions received as set out in the Appendix hereto.

By Order of the Board.

YOSHIKAWA Makoto  
Chairman and Chief Executive Officer

26 April 2023

## APPENDIX – RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

### Questions from SIAS

**Q1.** As noted in the letter to shareholders, the group faced severe disruptions in its operations in China due to COVID related shutdowns. With the support of the key customer in rescheduling delivery of backlogged orders, the total delivery volume of LCD backlight units for automotive digital instrument panels in the financial year ended 31 December 2022 was 4.5% higher than the same period in the previous year.

In FY2022, the company sold mostly larger automotive digital instrument panels, which have higher selling prices and better margins. The delivery of larger panels increased by 19.1% compared to the previous year, while delivery volume for LCD backlight units for high-end personal computers remained stable.

An example of the group’s LCD backlight unit and its application is shown in the corporate profile and reproduced below:



(Source: company annual report)

- (i) **Can management help shareholders better understand if the group possesses any competitive advantage, such as intellectual property, in the manufacturing of large-sized/premium LCD backlight units?**

With regard to the manufacturing of premium LCD backlight units, the Company’s competitive advantage lies in its expertise, experience and track record for the stable supply of high-quality products, its ability to meet high volume demands of its customers, and its competitive pricing. CDW is rated as a trustworthy and reliable supplier by its major customers.

- (ii) **Based on management’s knowledge, how far ahead is the group as compared to its competitors and any risks that low-cost competitors will erode the profit margin in the large size LCD backlight segment in the near future?**

The Company believes that its capability in providing a stable supply of premium products of high quality at competitive pricing to its customers is not easily copied by its competitors.

- (iii) **Can management provide an update on the progress of the feasibility study for the proposed manufacturing plant in Vietnam, including the expected completion date?**

The field feasibility study in Vietnam is only at the initial stage and it includes, but is not limited to, an evaluation of supply chain vendors availability, product quality, price and capacity computations (“**Vietnam Study**”). As the Vietnam study is not completed, there has not been any commitment to any investment for the development of manufacturing plant and hence a completion date has not been determined yet.

The Vietnam Study is part of the Group’s diversification strategy. With a “**China+**” operational footprint, the Group will be able to mitigate the concentration risk of having only China operations.

- (iv) **What is the estimated capital expenditure required for the establishment of the new manufacturing plant in Vietnam?**

The investment plan and various investment options will only be formulated after the completion of the Vietnam Study.

**Q2.** The group is also diversifying and exploring non-core business opportunities in the following areas:

- distribution of electric boat propulsion systems developed by Electrine – a leading Korean electric boat building company
- nanomaterial technology-based, fuel-efficient and environment-friendly ship-bottom paints
- alkaline water generators
- application of biotechnology to develop antibody related products and related services (under A Biotech (ABio))

In his message, the chairman and chief executive officer referred to these diversification efforts as a “new strategic change” for the group.

- (i) **Can the board, particularly the independent directors, provide more details to shareholders about the depth of the management bench and assure shareholders that sufficient time and focus are being given to the core business?**

The Group’s Chairman and Chief Executive Officer, Mr. YOSHIKAWA Makoto oversees the overall operations and strategy, and planning and development of the Group.

Mr YOSHIKAWA is assisted by the Chief Operating Officer, Mr. KATO Tomonori who is in charge of the overall operations of the Group, particularly in the sales, marketing and new product development functions of the existing core business. Mr. KATO also oversees the Life Science and Bio-related business development of the Group.

There are also persons responsible for each new business, who regularly report to the COO and/or the CEO. Shareholders may refer to the Key Executive Officers on pages 19 – 20 of the Annual Report 2022.

Through regular meetings and frequent communications, the board, including the independent directors, has always ensured that the core business is receiving the appropriate time and effort.

**(ii) How significant are the capital requirements for these new ventures? Does the group possess sufficient financial resources to support the concurrent expansion of multiple business lines?**

Besides the investment in ABio shares in April 2022, most of the other new ventures are of a trading nature and either utilise the Group's existing distribution networks or is covered by the current management team. The financial resources consumed by these new ventures are limited.

**(iii) How would the diversification strategy impact the group's risk profile, and does it require shareholders' approval?**

At present, there is minimal impact to the Group's risk profile, as the financial resources consumed by these new ventures are limited. The Group has been releasing regular updates on its diversification efforts on SGXNet to keep shareholders informed and will comply with the relevant regulations with respect to seeking shareholder approval if required, when potential investment opportunities emerge.

**(iv) Can management provide an update on the progress of R&D/trials concerning the anti-Cripto-1 antibody and discuss the potential applications of the antibody? How is the group exploring more applications of the antibody?**

Acting on the recommendation of an independent medical consultation firm in Korea, ABio is embarking on the genetic re-engineering of the Anti-crypto-1 antibody to improve the efficiency and effectiveness of the antibody towards different cancer cells. ABio will again experiment on mice with different tumor cells using the re-engineered antibodies, before proceeding to an efficacy test with external laboratories.

**Q3.** On 10 April 2023, the company announced that there are material variances between the unaudited and audited financial statements for the financial year ended 31 December 2022. This follows the adoption of certain adjustments proposed by the external auditors between the unaudited results and the audited financial statements for the financial year ended 31 December 2022.

As shown in Appendix A of the announcement, the variance was US\$6.63 million, relating to proceeds from and repayment of bank borrowings.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Group			
	Unaudited (US\$'000)	Audited (US\$'000)	Variance (US\$'000)	
<b>Financing Activities</b>				
Proceeds from bank borrowings	14,989	21,622	6,633	note
Repayment of bank borrowings	(12,050)	(18,684)	(6,634)	note

**Note:** These are mainly classification of bank loans draw down, repayment and roll-over of bank loans upon review by the auditors and have no impact on the profit & loss or material impact on the net cash flows.

(Source: company announcement)

- (i) **Can the audit committee (AC) help shareholders better understand the underlying reasons for the material variance which relates to drawdown, repayment and roll-over of bank loans?**
- (ii) **How Is the audit committee reviewing the group's financial reporting and internal controls given that the material variance relates to bank loans and cash?**
- (iii) **What are the key findings by the internal auditor on the group's internal controls, especially those related to cash, cash management and bank loans?**

The Management would like to report that the variances are related to a Hong Kong subsidiary which have bank loans managed by the local Treasury team, with regular updates of the loan register record and matching of the closing balance with the Accounting team. The accounting records and bank statements are maintained by the Accounting team.

During the year, there were few short-term loans drawn down during the month which were repaid before the month end. The Treasury team staff failed to record these short-term loans on the loan register record and consequently failed to include these in the financing activities cash flow.

To prevent recurrence, the Group has arranged for the subsidiary's designated person from the Treasury team and for the Accounting team to cross-check the loan register and records with each other, for both the transaction amounts and closing balances. This will be overseen by the local financial department head who will regularly review the matching results.

## **Questions from Shareholders**

### **LCD Backlight Units (“BLU”) Segment**

**Q4. More than 50% of the delivery volume is >10 inches. Will this trend continue for this financial year?**

This trend will likely maintain in FY2023. However, it may change in FY2024, as we expect the orders for handheld sets to increase.

**Q5. Mass production of the largest LCD BLUs for the American customer started in Feb 2023. Were there any challenges regarding the execution of this order and how is the progress so far?**

Mass production has commenced for this customer, and the Group has not encountered any technical problems for the model. However, due to a limitation of components on the customer’s side, the initial order amount is lower than expected.

**Q6. Pg 7 of the annual report (AR22) mentions a high luminance type of technology. Can you elaborate on the significance of this technology? Are these products of higher margin?**

The high luminance type technology is usually used in notebook monitors and has the advantage of lower electric consumption for the same degree of luminance. This technology is owned by the Group’s major customer, we have developed the production process to incorporate this technology into our products and currently the Group is the sole manufacturer producing products with this technology, which has a higher margin than the other products.

**Q7. Pg 13 of AR22 shows a drop in the number of workers employed from 572 in 2021 to 454 in 2022. Is this a result of automation or because of the decline in the number of units sold overall?**

This is in line with the Group’s automation development efforts and is also due to fact that a part of the production was outsourced to sub-contractors during the year.

**Q8. Does the production capacity of 4 million units per month mean that we still have a lot of excess capacity as our annual production is 7.5 million units in 2022?**

The Group can produce LCD BLUs ranging from 5 to 18 inches in size. The production capacity of 4 million units refers to 5 inches or smaller sized models. The production output for BLUs used in automobiles and PCs is mainly determined by the number of manhours spent on production, not the size of the BLU. As the specification requirements of customers for over 8 inches BLU models are not standardised, it is difficult to calculate the production capacity in general.

**Q9. How much of the profitability for this segment was affected by the Shanghai lockdown?**

It is very difficult to quantify the Shanghai lockdown’s effect on profitability. The Group managed to catch up with backlog orders from June to September 2022, with the use of different subcontractors at different pricing. Most importantly, is that the Group worked together with its major customer to fulfill the production schedules and maintained its trustworthiness.

**Q10. Car demand in China seems to be slowing, with many manufacturers cutting prices to increase sales. Does the Group anticipate slowing demand for its LCD screens/products due to reduced demand?**

The China car market does not directly affect the Group's products, as the Group's models are mainly for North America car manufacturers. However, the Group expects the demand from these car manufacturers to be affected by the uncertain economic situation in U.S.

#### OEM and Accessories Segment

**Q11. What is the outlook for this financial year, especially for our primary customer BBPOS?**

The Group expects that order quantities will reduce, with most of the orders for large size payment devices which have a higher price but lower margin. The Group is unable to disclose further due to its non-disclosure agreement with the customer.

**Q12. Any update for our operations in the Philippines?**

The Group is unable to provide a timeline regarding the re-start of the Philippine operations, and the OEM business that was originally designated for the Philippines operations is currently being undertaken by its partner in Thailand.

**Q13. How significant will the mass production of anti-reflective laminate for smart phone accessories be for this financial year and beyond?**

This is a new business under development, where the production is undertaken by a sub-contracted manufacturer from Japan. The Group aims to develop it and for it to make some contribution to the Group in the near future.

**Q14. It's been at least a year since the Group announced its contract to manufacture for Loupedeck Ltd. How is the progress and sales related to Loupedeck?**

The manufacturing for Loupedeck has already started and is under the OEM Segment. The Group is unable to disclose further due to its non-disclosure agreement with the customer.

#### Office Automation Segment

**Q15. With a decline in contribution from these segments over the last 2 years (<10% revenue and loss making), is management thinking of scaling down these segments, especially OA?**

The OA Segment continues to face the challenges of intense price competition and model obsolescence during the year in review. The Group will review the products' costing and negotiate with customers for higher-end models with higher margins. It will also review the product pricing of low margin models with customers and discontinue producing these models, if needed.

**Q16. The number of workers employed has increased from 101 in 2021 to 181 in 2022. Is this in line with management's vision to manage cost through automation?**

The OA Segment workers reduced from 168 in 2021 to 156 in 2022, and this is in line with its declining sales, while the OEM & Accessories Segment workers increased from 101 in 2021 to 181 in 2022 which is in line with increased sales performance.

#### Other Segments

**Q17. What is the company's overall strategy for the increased stake in ABio?**

ABio has been long studying the 1 trillion antibody libraries, which is developed by Professor SHIMIZU Nobuyoshi, an emeritus professor at Keio University in Japan, who participated in the Human Genome Project as a major member. ABio's principal research project, the Anti-Crypto-1 antibody is a human-derived anti-human Crypto-1 antibody and has demonstrated efficacy towards suppressing cancer stem cells in the laboratory. The Group's wishes to support ABio to continue utilising the antibody libraries to research and develop antibody related products that will benefit mankind, and while at the same time, create value for shareholders.

**Q18. Any milestone events for ABio this financial year?**

As mentioned above, ABio is conducting a genetic re-engineering of the Anti-crypto-1 antibody, to improve the efficiency and effectiveness of the antibody towards different cancer cells.

**Q19. Any further updates on our master supplier agreement with Cosmo Beauty? Seems like the revenue contribution is still negligible. Is this a reflection of a poorer take-up rate for the Night Cream X product?**

The income from Cosmo Beauty is a small portion of the Group's business, and there is no significant update from what was previously disclosed.

**Q20. Any significant milestone events for this financial year? Example, on the licensing of intellectual rights to pharma industry players as mentioned last year?**

The Group continues to license out the intellectual property rights that it currently owns. Although the revenue contribution from licensing is still small, the Group will continue to develop this customer base.

**Q21. Can the company give a perspective on the criteria for venturing into the various non-core businesses like the electric boat propulsion systems and alkaline water generators?**

The Group's diversification strategy focuses on three main areas, namely health, life sciences, and the environment. The Group aims to invest in projects that can provide sustainable development to society and create returns for shareholders.



**Q22. Why the urgent need to diversify into areas outside our scope of competence and skill sets that are likely to take away precious resources and time from our core businesses (especially the growing LCD BLUs segment)?**

As disclosed previously, the Group's core business operates in an industry with a mature market and keen competition. It is difficult to find the new breakthrough points in the current industry, and therefore the Group has been adopting its diversification strategy in search for new areas of growth potential.

**Q23. How does the management ensure that the diversification into non-core businesses will not be detrimental to the overall performance of the company?**

The management has been keeping a close eye on the Group's financial performance, and financial resources are always allocated to the core business as a top priority. Any new investment projects are reviewed carefully by the Investment Committee, which comprises senior executives of the Group.

End.