



**Securities Investors Association (Singapore)**

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**Issuer:** CDW Holding Limited

**Security:** CDW Holding Limited

**Meeting details:**

Date: 30 April 2019

Time: 3.00 p.m.

Venue: Empress Ballroom 3, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558

**Company Description**

CDW Holding Limited is a Hong Kong-based investment holding company. The Company focuses 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. The Company operates in three segments: LCD backlight units, Office automation, and LCD parts and accessories. LCD backlight units segment is engaged in the manufacture of liquid crystal display (LCD) backlight units for LCD modules. Its Office automation segment is engaged in manufacture and trading of parts and precision accessories for office equipment and electrical appliances. Its LCD parts and accessories segment is involved in manufacture and trading of parts and precision accessories for LCD modules. The Company's subsidiary, Tomoike Industrial (Hong Kong) Holding Limited, is an investment holding company.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BXE](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BXE))

**Q1.** During the year, there was a transition in the leadership of the group with Mr Yoshikawa Makoto taking over as the chairman of the board on 1 June 2018. Mr Yoshikawa Makoto will be designated as the executive chairman and chief executive officer following the retirement of Mr Urano Koichi on 30 April 2018.

Mr Kato Tomonori was appointed as executive director and chief operating officer effective 30 April 2018.

Following the leadership transition, the group's wholly-owned subsidiary Tomoike (Shanghai) Agriculture Technology Co., Limited obtained approval for its voluntary winding-up and its business license was cancelled accordingly.

Tomoike Electronics (Shanghai) Co., Limited transferred its business to Tomoike Precision Machinery (Shanghai) Co., Limited and was sold in August 2018. In January 2019, Guru Guru Limited was renamed Tomoike Bio Limited.

The group's shareholding in A Bio was reduced to 49.4%, and A Bio became an associate of the group due to loss of control.

- (i) With the new leadership in place, and following the corporate restructuring, would the board elaborate further on the group's business models in each of the business segments, namely LCD Backlight Units, Office Automation, LCD Parts and Accessories, Food & Beverage and Life Science.**
- (ii) What are the key value drivers and what are management's key priorities in the next 18-24 months?**
- (iii) How will management be allocating its capital? What are the major capital expenditure, if any, in the next 1-2 years?**
- (iv) Has the board reviewed if the group has the necessary human talent in place for the group to meet its objectives?**

**Q2.** The "Impairment assessment of property, plant and equipment" is a key audit matter (KAM) highlighted by the Independent Auditor's in their Report on the Audit of the Financial Statements (page 64). Key audit matters are those matters that, in the professional judgement of the Independent Auditor's, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM:

*Due to the decline in the operating results of the Group in recent years, management carried out an impairment assessment of these assets.... the fair value less costs to disposal ("FVLCD").... valuation of the key items of property, plant and equipment performed by an independent firm of external valuers... An impairment loss of US\$782,000 was recognised during the year.*

The bulk of the impairment loss recognised in the year was due to leasehold improvements (US\$692,000).

- (i) Can management elaborate further on the leasehold improvements that it is carrying in the balance sheet?**
- (ii) Can management clarify if the group has any land use rights? Are all the factories leased?**

**Q3.** On 6 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

Profit after tax increased from US\$105,000 to US\$784,000 after the finalisation of audit.

The material adjustments were due to, inter alia:

- Compensation income (of US\$184,000 and US\$7,000 in exchange rate differences) was reversed in FY2018, and to be recognised in FY2019 as the compensation amount was received in January 2019
- Recognition of fair value loss and income tax expense
- Reclassification to non-current investments
- Recognition of property, plant and equipment

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (iv) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=CDW%20Holding%20Ltd&cid=6553,4638>

The company's response could be found here: -----