Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: CDW Holding Limited

Stock code: BXE

Meeting details:
Date: 30 April 2021
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the letter to shareholders, despite a year that saw the COVID-19 pandemic disrupt businesses and affect livelihoods, the group made significant progress in three areas, namely:

- LCD Backlight Units: sizeable orders for larger-sized LCD backlight units that are used in digital instrument panels of premium automobiles and ultrathin notebook computers
- Life Science: anti-Cripto-1, a monoclonal antibody showed promise for use in a wide range of anti-cancer drugs by inhibiting cancer cell growth
- Cosmetics (pterostilbene glycoside): entered into a master supplier agreement with major Japanese cosmetics manufacturer

For 2020, the group recognised total revenue of US$111.8 million, an increase of 10.2% from the previous financial year. The group's profit before income tax amounted to US$3.4 million in FY2020 as compared to a loss before income tax of US$(0.6) million in FY2019.

In particular, the key operational information relating to the LCD backlight units is shown below:

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

	FY2020	FY019	FY2018	FY2017	FY2016
Revenue (US$mn)	83.7	61.7	38.4	59.8	59.1
Earnings before interest and Taxes (EBIT) (US$mn)	5.8	2.5	1.1	7.5	5.8
Gross floor area (sqm)	7,620	7,620	7,620	7,620*	19,096
Clean room area (sqm)	4,120	4,120	4,096	4,096*	5,416
Number of staff	88	91	95	87	114
Number of workers	612	574	502	428	556
Production capacity (units/mth)	4,000,000	4,000,000	4,000,000	4,000,000	6,000,000

* TM Dongguan production was integrated into CD Shanghai in December 2017 and its gross floor and clean room area were deployed to LCD Parts and Accessories segment.

(Source: company annual report)

For FY2020, total number of units sold was 7.6 million units, comprising 4.0 million units for LCD backlight units of size over 8 inches, 2.4 million units for size between 5 to 8 inches (representing an increase of 14.3%) and 1.2 million units for size below 5 inches.

(i) **Can management help shareholders understand if the production equipment is flexible enough to produce any size of LCD backlight units as required? That is, can the group manufacture 4 million units/month of LCD backlight units over 8 inches if required?**

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(ii) **What is the level of visibility of the customer's need for larger-sized LCD backlight units that are used in digital instrument panels of premium automobiles and ultrathin notebook computers?**

The chairman and CEO cited that the global automotive display units market is expected to grow at a CAGR of around 8.0% per year in the next decade until 2029 as leading car makers in Germany and the US move toward full-panel digital instrument panels in their higher-end car models.

(iii) **Has the group achieved a market standing as a premium manufacturer in the LCD backlight market? How does the group look to capture this growing market?**

(iv) **In addition, what is the long-term future of the office automation segment?**

(v) **Does management anticipate the group beginning production in the new facility in the Philippines in 2021?**

Q2. In the life sciences business, the group's associate, A Biotech Co., Limited ("A Bio"), will commence pre-clinical toxicology tests in 2021, in preparation for eventual use in clinical trials.

(i) **Can the board/management help shareholders recall why A Bio is considered an associate despite the group holding 48.5%?**

(ii) **What is the level of influence and control over the strategic matters of A Bio?**

(iii) **Will A Bio be able to fund the pre-clinical toxicology tests? What is the cost and how long would it take?**

(iv) **What is the value-add by the company/its management to A Bio?**

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Q3. As seen in the consolidated statement of cash flows (page 98), the changes in working capital, in particular, trade and other receivables was $(5.4) million in FY2019 and $(3.9) million in FY2020. In FY2020, there was also a significant cash outflow due to inventories, amounting to $(3.2) million.

Trade receivables increased from $32.3 million to $35.8 million (page 140 – Trade and other receivables).

(i) **Given the pandemic, has management experienced slower collections from its customers?**

(ii) On page 141 (Note 18 – Trade and other receivables), the group showed the calculation of its expected credit losses for its trade receivables. **Can management help shareholders understand the reasons for the lower loss rate in FY2020?**

Based on Note 17 (page 139 – Inventories), inventories increased from $9.9 million to $13.5 million as at 31 December 2020, mainly due to the increase in raw material.

(iii) **What is the group's inventory stocking policy? Has the group experienced volatility in the price of its raw material?**

(iv) **Were there disruptions to the group's supply chain for its inventory in the past year?**

(v) **Is the increase in raw material due to higher volume of raw material required to support the higher volume of business or was it a result of increase in the cost of raw material?**

(vi) **Does the group have the pricing power to pass on any significant increases in the cost of raw material?**

(vii) It has been widely reported that global automobile manufacturing is expected to slow-down due to a severe shortage of semiconductor chips. **Does the group expect demand for its products to fall given the slow-down in production?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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