



CDW Holding Limited

The Business Times, Tuesday, May 9, 2006

CDW optimistic about growth

NANDE KHIN finds out why the precision components maker has reason to be so for this financial year

PRECISION components maker CDW Holding, which suffered a profit slide last year, is looking forward to a better performance in FY2006. "We are optimistic that growth will be stable for the current year," CEO Kunikazu Yoshimi told BT in an interview through a translator.

The Hong Kong-based but Japanese-managed company makes precision components like backlight units for LCD screens of mobile handsets, game sets, etc. It also makes LCD frames, and precision accessories like shock absorbers and insulators for photocopiers and fax machines. Most of its customers are Japanese companies.

Part of its management's optimism for the current financial year stems from the fact that CDW's new factory in Dongguan province, China, will become profitable from the second half of the year.

When fully operational, the factory will increase production capacity by 50 per cent and CDW reckons the factory will be fully utilized as the company is confident it can get more orders from its customers, says executive director Edward Lai.

"For the first quarter, the factory will still be making a loss because of some start-up problems. But by the second quarter, it will be at a break-even level and from the third quarter onwards, it should be contributing

to group profits," adds Mr Lai.

Teething problems at the factory in the last quarter of FY2005 had contributed to a drop in profits for CDW, Mr Lai said. In what he terms as the "worst quarter (CDW) has experienced", the company's net profit plunged 65.9 per cent to US\$1.39 million in Q4 FY2005.

Overall for FY2005, CDW's net profit slipped 41.1 per cent to US\$8.94 million despite a 7.8 per cent increase in revenue to US\$106.17 million.

Still, the company proposed a final dividend of 0.4 US cent per share to be paid on May 24. This, together with the interim dividend of 0.4 US cent per share, represents a payout ratio of 43.7 per cent.

Another reason why CDW is optimistic this year is that pricing pressures have eased this year. A price war among CDW and its competitors had contributed to lower profits last year. "But now our competitors have become more realistic, they are no longer using a price war to try to gain market share," Mr Lai said.

In addition, CDW is looking forward to a number of key growth drivers kicking in this year. "There is a high possibility that we will be able to supply LCD backlight units indirectly to two of three biggest mobile phone makers in the world this year," said Mr Yoshimi, adding that last year, CDW had managed to supply indirectly to mobile phone makers ranked fourth and below.

"In addition, we are also planning on producing backlight units for LCD screens of higher-end products. These displays will be brighter and will have better resolution ... and the products with these screens will thus command higher profit margins," he said.

For example, CDW wants to produce backlight units for mobile handsets that can play movies and television programs.

Mr Yoshimi estimates that currently, CDW has a market share of "just below 10 per cent" for the production of backlight



units for colour mobile handsets in Japan and a market share of 25 per cent for the production of such units for handheld Nintendo and Sony game consoles.

Further down the road, possibly next year, CDW wants to make LED backlight units for other kinds of products such as LCD television sets, and LCD displays in cars.

Mr Yoshimi sees huge potential in this market. "Currently, LCD displays in cars and TVs are of the CCFL-type. But CCFL-type displays use lead which is not very environmental-friendly and in the future they may be replaced by those that are LED-type displays instead," he said.

CDW's new factory in Suzhou will be ready next year and even when its operations in its existing Suzhou factory are shifted to the new plant, there will be excess capacity which Mr Yoshimi plans to use to make LED backlight units for cars and TV sets.

As for its precision accessories business, CDW hopes to ride on the wave of increasing demand for inkjet printers. The new generation of inkjet printers will be of better quality and of lower cost to print per sheet. This should drive up demand for inkjet printers for home use, Mr Yoshimi said.

Currently, about 50,000 to 100,000 copiers are made in Japan every month. But this year, manufacturers are targeting a combined 500,000 to one million units of inkjet printers a month in anticipation of the increased demand from households. Mr Yoshimi thus believes there is much more potential in supplying components to inkjet printers compared to copiers.

CDW made an impressive debut on the Singapore Exchange in January 2005. Its shares shot up to 55 cents apiece shortly after its initial public offer at 38 cents each, but have since gone on a downward trend. Its shares lost 0.5 cent to close at 21.5 cents yesterday.

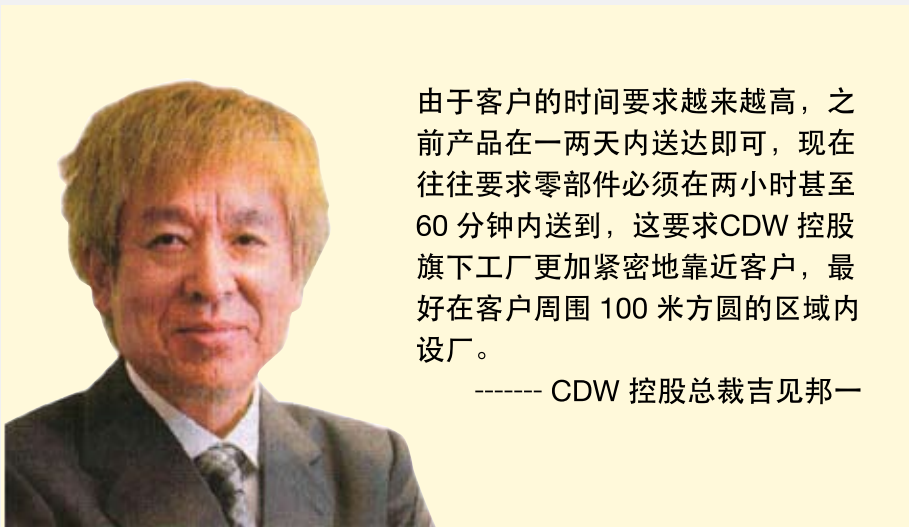
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Room for expansion:
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日CDW 在华使“贴身战术”



由于客户的时间要求越来越高，之前产品在一两天内送达即可，现在往往要求零部件必须在两小时甚至60分钟内送到，这要求CDW控股旗下工厂更加紧密地靠近客户，最好在客户周围100米方圆的区域内设厂。

----- CDW 控股总裁吉见邦一

黄允之 ● 报道 上海特约

面包车下了沪嘉高速，沿宝安公路，浏翔公路向东，经过一条颇有田园气息的乡间小路，便来到日本专业精密机械制造商CDW控股(CDW Holding)的上海嘉定工厂所在。灰白色调的厂房在5月的阳光下显得明快而洁净，厂区的空气也是一样。

嘉定工厂是CDW控股目前在中国的六家工厂之一，主要生产用于手机、数码相机、PDA等的液晶显示板背光源及附属产品。能说流利中文的公司副总经理佐藤广明说，4月这里刚刚建成了集团首个1000级和100级无尘车间，尽管成本是建造10000级车间的3-8倍，但保证了CDW控股始终位于背光源生产领域的前沿。

作为一家为日本主要制造企业代工生产精密零部件的企业，CDW控股的其他几家工厂分别分布于中国华东地区的浦东张江，苏州和华南地区的香港，东莞等地，为的是能够就近满足客户需要。产品也各有侧重，除液晶显示板背光源及附属产品外，还包括复印机等办公设备的精密配件等。

跟随大厂脚步

CDW控股总裁吉见邦一(Kunikazu Yoshimi)表示，公司进入中国内地市场是跟随了夏普，美能达，理光等日本著名制造商的脚步，它们在上世纪90年代纷纷在中国华东地区设立生产基地，CDW控股也随之将工厂开到了中国内地。依赖长期以来与这些日本伙伴的稳定合作关系，公司在过去10年中取得了稳健的发展。

CDW控股自认是一家非常“理解”日本企业要求的公司。吉见表示，由于客户的时间要求越来越高，

之前产品在一两天内送达即可，现在往往要求零部件必须在两小时甚至60分钟内送到，这要求CDW控股旗下工厂更加紧密地靠近客户，最好在客户周围100米方圆的区域内设厂。

从这个角度来说，公司一贯的“贴身战术”不会改变。目前，日立，京瓷等日本企业占了CDW控股客户总数的九成，并且在2005年贡献了70%的营业收入。短期内公司也没有拓展非日资企业客户的计划。

吉见非常看好液晶显示板背光源的市场前景。一方面，中国的低生产成本吸引了越来越多日本制造商将生产基地转移到中国；另一方面，游戏机、PDA、液晶显示器等产品的需求不断增长，这些都给CDW控股带来巨大的潜在市场。

CDW控股因此不断扩充中国工厂的产能，随着东莞工厂在去年四季度开工，公司的液晶显示板背光源年产能达到6000万件，营业额占集团的三分之二，仅2006年第一季度，收入就达2930万美元。

吉见认为，对于CDW控股来说，最大的挑战来自于背光源技术的不断发展。目前，公司已和关联企业在日本组成了研发小组，进行技术和材料研发，希望在产品升级的同时降低成本，逐步改变公司超过90%的原材料采购自日本住友，三井化学等大企业的现状，这一块的利润相当丰厚。

CDW控股1991年在香港成立，2005年1月在我国主板市场挂牌上市。5月14日最新公布的财报显示，集团第一季营业收入同比增长81%，报4421万美元。税前盈利减报244万美元。每股盈利0.46美分，每股净资产值10.14美分。