CDW HOLDING LIMITED
(Incorporated in Bermuda)
(Company Registration No. 35127)

ANNUAL GENERAL MEETING TO BE HELD ON 30 APRIL 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors (the "**Board**") of CDW Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to thank all shareholders who submitted their questions in advance of the Annual General Meeting of the Company to be held at 3:00 pm (Singapore Time) on Friday, 30 April 2021 by electronic means (the "**AGM**").

In addition to the shareholders' questions received, we have also received questions from the Securities Investors Association (Singapore), and grouped all substantial and relevant questions received under a few key sections.

Please refer to our 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

30 April 2021

APPENDIX – RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

LCD Backlight Units Business

Q1. In the group's LCD backlight units business for FY2020, a total of 7.6 million units were sold, 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) Is the production equipment 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? (Questions from Securities Investors Association (Singapore) ("SIAS"))

We can produce LCD backlight units (BLU) ranging between 5 to 20 inches in size. The production capacity of 4 million units refers to 5 inches or smaller in size. Our production output for BLUs used in automobiles and PCs is mainly determined by the number of man-hours spent on production, not the size of the BLU. As the specification requirements of customers for over 8 inches BLUs models are not standardized, it is difficult to calculate the production capacity in general.

(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? Do you expect the surge in demand for LCD screens from automobile customers will be sustainable for the rest of the financial year? (Questions from SIAS and Tan Ying Te)

Normally, we have a rolling forecast with purchasing orders placed two to six weeks in advance and two to three months for forecast. However, the forecast fluctuates due to a shortage of ICs and semiconductors to be used at our customer's site. Even though under this situation, we expect stable growth in customer demand for digital instrument panels for use in premium automobiles. Also, there has been a steady increase in demand from last year for LCD panels for use in ultra-thin notebook computers due to the rise in work from home arrangements during the COVID-19 pandemic.

This rise in orders for digital instrument panels for use in premium automobiles is expected to continue until 2024, based on our customers' long-term demand forecasts. However, for the current fiscal year, we have already been starting to see the negative impacts of the global shortage of LCD drivers, in-vehicle semiconductors, and integrated circuit (IC) chips since 1Q 2021, and our customers expect that this component shortage may take approximately 6 - 12 months to resolve. As a result, the initial demand forecasts may be deferred.

Q2. The chairman and CEO cited that the global automotive display unit 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.

(i) 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? (Questions from SIAS)

Our foray into the LCD BLU market started with game consoles and mobile phones, where we acquired the technological capabilities and operational experience needed to meet the challenges in the production of BLUs for digital instrument panels used in premium automobiles.

(ii) Aside from in-vehicle LCD screens, what is the next largest category of demand currently? (Question from Tan Ying Te)

COVID-19 has led to an increase in notebook computer demand due to the expansion of remote work, and this is expected to continue. We are already providing BLUs for high-end notebook computers, and we expect further increases, including an increased demand for BLUs for Gaming notebook computers.

(iii) From 2020 Annual Report, the Group seems to serve one key customer for this LCD Backlight Units segment. Are there plans to engage and secure more customers to further ride on this rising trend of using fully digital displays for instrument panels in automobiles. (Question from Eng Koon Hock)

Our experience started with game sets and mobile phones, and we later moved to producing BLUs for the challenging high premium automobiles digital panel where we acquired higher technology and quality standards. We have always maintained our business with our key customer. In the past, we have repeatedly approached or received orders from other customers in order to expand our sales channels. However, due to the trend of the times, Japanese LCD manufacturers have repeatedly integrated or withdrawn their business.

The major LCD manufacturers are now located in Taiwan, Korea, and China in order to compete in price and volume. However, we have a strong desire to continue supplying our LCD backlight units to customers who demand Japanese quality, so it is rather difficult to supply to customers who prioritize price. To quote an article we announced in December 2020, the global automotive display unit market is expected to grow at an annual rate of about 8.0% over the next 10 years until 2029, as major German and U.S. automakers are shifting to full-panel digital instrument panels for high-end vehicles. As the global market for automotive units is expected to grow at an annual rate of about 8.0% over the next 10 years until 2029 as major automakers in Germany and the U.S. shift to full-panel digital instrument panels for high-end vehicles, we expect to continue to expand our business, even with our current major customers.

Office Automation Business

Q3. (i) What is the long-term future of the office automation segment? (Question from SIAS)

Our Office Automation business such as copy machines has been negatively affected by the COVID-19 pandemic and the global trend of working from home. We will continue to be affected in 2021, but we believe that at some point, the pandemic will be contained, and the segment will recover.

(ii) Does management anticipate the group beginning production in the new facility in the Philippines in 2021? (Question from SIAS)

The situation is currently uncertain due to COVID-19, but we hope that it will be resolved as early as possible.

Life Sciences Business

Q4. In the life sciences business, the group's South Korean associate, A Biotech Co., Limited ("A Bio"), will commence pre-clinical toxicology tests in 2021, in preparation for eventual use in clinical trials.

(i) Why is A Bio is considered an associate despite the group holding 48.5%? (Question from SIAS)

On 27 September 2018, the Group decided to sell 280,000 shares of A Bio to Mr Yoshimi Koichi, reducing its stake in A Bio from 700,000 shares before the deal. In particular, the Company decided to give Mr Yoshimi Koichi an autonomy to manage A Bio because he is very established in the biotechnology field and has built up a personal network of Japanese researchers (including a Nobel laureate in Chemistry), Japanese government officials, and pharmaceutical companies in Japan and Korea. The Group is of the view that Mr Yoshimi Koichi, together with the current key management of ABio, has been instrumental in ABio's early development and in achieving the key milestones the Group has set for it. As we delegated the control over A Bio to Mr Yoshimi and the shareholding of 48.5% is less than the absolute control of 50%, A Bio is considered to be an associated company.

(ii) For the anti-Cripto-1 antibody patent, what is CDW's effective ownership stake in this patent? (Question from Ting Kian Wei)

CDW effectively owns 74.25% of the patent, of which 50% is through its subsidiaries and 24.25% is through its shareholding in A Bio.

(iii) What is the level of influence and control over the strategic matters of A Bio? (Question from SIAS)

The Group has a director that sits on the board of ABio to monitor the strategic matters of ABio.

(iv) Will A Bio be able to fund the pre-clinical toxicology tests? What is the cost and how long would it take? (Questions from SIAS, Ting Kian Wei and Eng Koon Hock)

Pre-clinical studies include efficacy studies and toxicity studies, etc.

After creating the stable cell line (coming soon), we will conduct efficacy studies, then formulation development and scale-up, followed by toxicity studies, etc. If there are no major problems, we expect this to take two years to complete. Toxicity studies include dosage and administration and repeat-dose studies, and are assumed to require approximately seven months and US$1 million. After the tests using GMP-grade antibody are passed, it will be ready for clinical trials.

Both CDW and ABio own the patents and employ our own researchers for the anti-Crypto-1 antibody.

ABio is currently trying to raise funds from third party investors for preclinical toxicity studies and other purposes. In addition, CDW is also looking for a business partner to be involved in the preclinical studies.

(v) Based on past pre-clinical toxicology tests for other similar antibodies, what was the passing rate for such tests? (Question from Ting Kian Wei)

There are two types of pre-clinical studies as efficacy studies and toxicity studies. There is no data on the pass rate for toxicity studies only, however, some journal published data shown around 32%
(source: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6226120/).

(vi) Does CDW intend to license this antibody patent to pharmaceutical industry players for clinical trial for an upfront fee payment plus continuous royalty fee if pre-clinical trials are proven to be successful? (Question from Ting Kian Wei)

Yes, as we mentioned in the previous announcement, depending on the results of the pre-clinical trials, the Group expects to license the intellectual property rights to pharmaceutical industry players to start clinical trials in 2022, and subsequently the manufacturing and distributing of the drugs developed from the anti-Cripto-1 antibody.

(vii) What is the value-add by the company/its management to A Bio? (Question from SIAS)

GSP, a subsidiary of CDW is responsible for performing the basic research that feeds into the discovery pipeline of new candidate substances/antibodies to enhance the value of ABio's intellectual property assets.

Q5. In the life sciences business, the group's subsidiary entered into a master supplier agreement with major Japanese cosmetics manufacturer for its pterostilbene glycoside compound.

(i) Does CDW own 100% of the patent for the glycosylation of pterostilbene? (Question from Ting Kian Wei)

Yes, the patent number PCT/JP2018/004122 is 100% owned by CDW Group.

(ii) Does CDW intend to license this patent to Cosmo Beauty after 31 Dec 2021 for an upfront fee payment or continuous royalty fee? Alternatively, does CDW intend to enter into an off-take agreement with Cosmo Beauty in year 2022 and beyond? (Questions from Ting Kian Wei)

Cosmo Beauty has requested that we enter into a licensing agreement in exchange for continuous royalties, in order to shorten the time to market for pterostilbene glycoside. We are currently negotiating the specific details of the agreement. We are also considering selling our products in Hong Kong and Singapore by ourselves.

(iii) What are the significant revenue contribution and the estimated profits CDW can expect from having secured a master supplier agreement for pterostilbene glycoside with Cosmo Beauty for 2021? (Questions from Wong Kia Yong and Eng Koon Hock)

In terms of sales and profit, Cosmo Beauty is currently in the process of production planning, and no forecasts can be given at this stage.

Group Operations

Q6. 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? (Question from SIAS)

The Group did not experience any significant delay in 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? (Question from SIAS)

The Expected Credit Losses (ECL) is based on statistical analyses of the past payment history of the Group's customers. The Group has been closely monitoring its collection activities which allowed for the provision for ECL to be reversed for FY2020.

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

We closely monitor inventory turnover, the ratio of sales to turnover, and the ratio of sales to inventory value as key performance indicators of efficiency. There was no volatility in the price of the group's key raw materials in FY2020.

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

There was no disruption in the inventory supply chain in FY2020.

(v) Is the increase in raw material expenses 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? (Question from SIAS)

The increase in raw material expenses was due to the increased volume of raw materials procured to meet the growing demand in customer orders for automobile BLUs.

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

In case of significant increase in the cost of raw materials, we might be able to transfer part of the cost to our customers and the remaining cost will be absorbed by the improvement in the production efficiency. For your information, both unit sales prices and raw material unit prices are falling, and competition is more getting more severe every year.

(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? (Question from SIAS and Eng Koon Hock)

We recognised the potential impact of this shortage of semiconductor chips in our most recent quarters. The situation is still developing and the scale of its impact on the demand for our BLUs is uncertain at this point.