

Media Release

CDW Holding's FY2022 net profit jumps 502.6% to US\$14.2 million

- Large rise in net profit due to gain on deemed disposal of associate ABio of US\$10.3 million
- Group revenue also rose to US\$148.0 million as LCD Backlight Unit segment recovers
- Proposes a final dividend of 0.7 US cents per ordinary share

Singapore, 1 March 2023 – SGX Mainboard listed CDW Holding Limited (“CDW”, the “Company”, and together with its subsidiaries, the “Group”), today released its financial results for the financial year ended 31 December 2022 (“FY2022”).

The Group achieved a revenue of US\$148.0 million for FY2022, an increase of 3.3% from the US\$143.2 million achieved in the financial year ended 31 December 2021 (“FY2021”), while gross profit dipped slightly to US\$25.7 million (FY2021: US\$26.1 million).

Net profit rose 502.6% to US\$14.2 million from US\$2.4 million in FY2021, which included the Group incorporating the post-acquisition results of A Biotech Co., Limited (“ABio”), which is now a subsidiary of the Group. This gain on deemed disposal of 48.46% equity interest of ABio is recognized as US\$10.3 million.

Excluding the one-off and non-cash gain on deemed disposal of US\$10.3 million, the Group’s profit after income tax for FY2022 would be US\$3.8 million, a 63.7% increase from FY2021 and FY2022 basic earnings per share would be US\$1.79, a 68.9% increase from FY2021. The gain on deemed disposal will not have any impact on the operating cash flows of the Group.

Mr. Yoshikawa Makoto, Chairman and Chief Executive Officer of the Group commented: *“In addition to a challenging macro and operating environment, the Group had to deal with the Shanghai Lockdown in China and had to adopt an outsourcing strategy to meet customers’ production and delivery requirements as a mitigation strategy. However, thanks to the hard work and dedication of our management and staff*

in China, the Group managed to complete the key customer’s order backlog in the second half of 2022 to deliver an outstanding result for FY2022. Going forward, despite greater market volatility and uncertainty, we will continue to focus on our different revenue diversification and growth opportunities. These include offering higher-end OEM models to counteract pricing pressures and retain customers, developing our other promising businesses, and exploring the feasibility of expanding our production in Vietnam.”

Financial Highlights			
US\$ million	FY2022	FY2021	Change (%)
Revenue	148.0	143.2	3.3
Gross Profit	25.7	26.1	(1.7)
GP Margin (%)	17.3	18.2	-0.9pts
Profit Before Tax	16.0	4.0	298.8
Profit After Tax	14.2	2.4	502.6
PAT Margin (%)	9.6	1.6	8.0pts

Dividend

The Company has proposed a final dividend of 0.7 US cents per ordinary share for FY2022, which is subject to shareholder approval and payable on 19 May 2023. Together with the interim dividend for FY2022 of 0.5 US cents per ordinary share, the total dividend paid for FY2022 will be 1.2 US cents per share.

Financial Review

For the six months ended 31 December 2022 (“**2H2022**”), the total turnover was US\$85.5 million, an increase of 7.3% compared with the same period last year (“**2H2021**”). This was due to the backfill of orders from the Group’s backlight production base in Shanghai from June 2022 onwards after the temporary stoppage between April and May 2022¹ (“**Shanghai Lockdown**”). These backlog orders of digital instrument panels for premium automotive cars by the Group’s key customer were completed by September 2022 on top of existing orders, and greatly boosted the Group’s LCD Backlight Unit performance in 2H2022.

¹ Following the Shanghai Municipal Government’s COVID-19 lockdown instruction.

Gross profit for FY2022 was US\$25.7 million, a slight decrease of 1.7% from US\$26.1 million in FY2021. Although the Group continues to experience pricing pressures from customers for the old model LCD backlight products, this has been eased by the higher margin models in for the Group's OEM business, and the development of new backlight models and large size LCD backlight units for use in premium automobile instrumentation panels.

Other income/expenses² for FY2022 increased to US\$2.3 million, a 117.1% increment from last year (FY2021: US\$1.1 million), mostly from a profit of US\$0.7 million on disposal of a residential property, and a valuation gain on convertible bonds of US\$1.1 million.

Distribution expenses increased to US\$4.2 million (FY2021: US\$4.0 million), mainly due to increased freight and storage costs due to the Shanghai Lockdown. On the other hand, administrative expenses was slightly lower at US\$17.5 million (FY2021: US\$18.5 million) in FY2022.

Finance costs increased from US\$0.3 million to US\$0.6 million in FY2022, mostly due to the increased bank borrowings during the year and higher interest rates.

During the year, the Group acquired a controlling shareholding in ABio and incorporated the post-acquisition results of the company into the Group. The acquisition of ABio shares also contributed to a gain on deemed disposal of previously held 48.46% equity interest of ABio of US\$10.3 million.

For FY2022, income tax expense increased to US\$1.9 million from US\$1.7 million in FY2021, attributable to profit generated by the Group's profitable subsidiaries.

Segmental Review

The Group's LCD Backlight Units segment saw a slight revenue increase of 0.7% to US\$96.1 million, and the OEM and Accessories segment (formerly known as the LCD Parts and Accessories segment) improved by 22.7% to US\$40.5 million, the result was negated by the fall in revenue from the Group's other business segments.

² Mainly consisted of foreign exchange gains/loss, together with profit on disposal of assets, government subsidy fund, rental reduction, fair value change of financial instruments and interest incomes

Segmental Revenue			
US\$ million	FY2022	FY2021	Change (%)
LCD Backlight Units (“LCD BLUs”)	96.1	95.4	0.7
Office Automation	10.5	13.9	(24.5)
OEM and Accessories	40.5	33.0	22.7
Others	0.92	0.96	(4.2)
Total	148.0	143.2	3.4

LCD Backlight Units (“LCD BLUs”)

Revenue from the Group’s LCD Backlight Units segment was US\$96.1 million in FY2022, a small increase of 0.7% from US\$95.4 million in FY2021. The segment has recovered from the Shanghai Lockdown in the first half of 2022 and successfully met the Group’s key customer’s order backlog in 2H2022. Segmental operating profit also improved to US\$7.2 million, a 30.9% rise from US\$5.5 million last year.

In FY2022, the Group sold 7.5 million backlight units (FY2021: 8.4 million units). Although facing continuous pricing pressure from customers for old backlight models, the LCD BLU segment is pivoting successfully to selling larger sized LCD backlight units, which are used in digital instrument panels of premium automobiles and ultrathin notebook computers. These over 8 inches models have comprised of 86.6% in FY2022 LCD BLU sales (FY2021: 69.8%).

Office Automation and Accessories

The Office Automation segment has continued to produce old models in FY2022 as customers were reluctant to develop new models during COVID-19. The segment recorded revenue of US\$10.5 million in FY2022 (FY2021: 13.9 million) at an operating loss of US\$0.7 million (FY2021: loss of US\$0.5 million), as production was temporarily suspended during the Shanghai Lockdown.

OEM and Accessories (formerly known as LCD Parts and Accessories)

This segment is a combination of original equipment manufacturing, and manufacturing and trading of parts and precision accessories for LCD modules. Due to continuous improvement of the Group’s OEM business, which now comprise a significant portion of the segment’s turnover, the Group has chosen to rename this segment to “OEM and Accessories” to better reflect its updated business operation.

This segment includes sales of mobile payment devices under the OEM business, and sales of parts for smartphone, tablets and ultrathin notebook computers under the Accessories business.

The Group recorded significant improvement in its OEM business in FY2022. Turnover of the segment increased from US\$33.0 million in FY2021 to US\$40.5 million, with an operating profit of US\$4.0 million (FY2021: US\$2.8 million). This was attributable to the strong relationship and trust with the Group's key customer, BBPOS International Limited ("**BBPOS**"). The OEM business was able to fulfill BBPOS's increased orders and high-quality product requirements to support BBPOS's growing business. The OEM business performance was also strengthened by customer orders for advanced model mobile payment devices which require high-standard security specifications.

Others Segment

The Others segment consists of two business divisions:

- the Life Science Business which is involved in research & development, health care and beauty products, and the holding of Bio-related intellectual properties; and
- the Others Business, which is involved in food and beverage and general trading.

The Group diversified into Life Sciences business in 2016 and to date, this business is still in its infant stage, with a small revenue increase to US\$0.53 million (FY2021: US\$0.47 million). The Life Sciences Business continues to incur R&D expenses as it develops, leading to losses of US\$1.6 million in FY2022 (FY2021: US\$1.2 million).

In FY2022, the Life Science Business completed the acquisition of 200,000 shares in ABio from Mr. Yoshimi Koichi on 6 April 2022. With the existing shareholding of 420,000 shares, ABio is now a subsidiary of the Group upon completion of the transaction. Since the valuation of the fair value of the existing 420,000 ABio shares will be deemed as disposed during the acquisition process of a controlling shareholding, the Group has realised a gain on deemed disposal of US\$10.3 million.

FY2022 revenue for the Others Business dropped slightly to US\$0.39 million due to reduced operations in Japan, and its operating loss maintained at marginal loss of US\$0.01 million (FY2021: US\$0.1 million).

Business Outlook

The Group's core business operates in an industry with intense price competition and shortening of product life cycles. In addition, macro headwinds such as Sino-US tensions, the COVID-19 pandemic and the Russian-Ukrainian war, as well as other issues like supply chain disruptions and inflationary pressures, further exacerbate the Group's challenging operating environment. This has led to greater market volatility and uncertainty for the Group.

In late 2022, the Group has set a Representative Office in Ho Chi Minh City, the Socialist Republic of Vietnam, to commence a feasibility study and evaluation of expanding operations to Vietnam. This is in accordance with the Group's diversification strategy. In response to the challenges of intense price competition, the Group will continue to work with its customers to develop and offer higher-end models and actively develop other businesses to diversify its revenue streams

The Group's high-end in-vehicle display systems and ultra-thin computer display systems recorded good sales in FY2022, benefiting from the shift to touch-screens for car control systems and the popularity of in-vehicle entertainment systems, along with the pivot to a Work-From-Home mode in response to the COVID-19 epidemic. The Group's proportion of sales of large-sized displays is gradually increasing and its new, larger-size display backlight for in-vehicle applications will commence production in the first half of 2023 ("1H2023"). The Group is also in the process of developing high-luminance backlight display units to further grow this segment.

Looking forward, the Group believes orders for larger-size LCD BLUs for advanced automotive digital instrument panels will form an important part of its sales, while sales of high-end ultra-thin notebook computer BLUs may remain soft as the COVID-19 epidemic situation improves and return-to-office activities continue around the world.

The OEM and Accessories Segment, recorded stellar growth and performance during FY2022. The OEM business will continue its shift to high value model production in collaboration with its key customer BBPOS, as well as participating in BBPOS' product development and design process. Although there are fears of a US economy slowdown in 2023, the Group believes that by securing higher value, advanced model mobile payment devices, the segment will be able to maintain its strong performance.

For the Office Automation segment and also the LCD Parts and Accessories business, the Group continues to face twin challenges of continuous price competition and model obsolescence. To counter this, the Group will seek opportunities to manufacture higher-end models with higher margins, and also take stringent cost control measures for these businesses.

In the Life Science Business, the Group is now a controlling shareholding in ABio. The ABio management has extended the research to lung, breast and colon cancer cells, and is working closely with external professionals to perform genetic re-engineering of the anti-Cripto 1 antibodies, with the aim to improve the efficiency and effectiveness of the anti-Cripto 1 antibodies to different cancer cells.

The Group will also continue its efforts to develop its emerging green businesses, which includes electric motors, nanomaterial coatings, and antioxidant water systems. Any material developments in these emerging green businesses will be shared with shareholders in due course.

End.

Note: This media release is to be read in conjunction with the SGXNET announcement issued on the same day.

About CDW Holding Limited (www.cdw-holding.com.hk)

CDW Holding Limited (the “Company” and together with its subsidiaries, the “Group”) is a Japanese-managed precision components specialist serving the global market focusing on the production and supply of niche precision components for digital instrument panels in the automobile industry, notebook computers, consumer and information technology equipment, office equipment and electrical appliances, and an original equipment manufacturer. The Group is headquartered in Hong Kong and has operations in Japan, China, South Korea, Thailand and the Philippines. The Company has been identifying new businesses to invest in with the potential for growth and entered as part of its diversification strategy and has made forays into the Life Sciences sector since 2016. The Company’s aim for its Life Sciences business is to identify research-driven yet commercializable projects that can have a positive impact on the quality of human life.

Issued on behalf of	: CDW Holding Limited
For media enquires contact	: Mr Derek Chng / Mr Gerald Woon
Email / DID / Mobile	: derekchng@cogentcomms.com / (65) 6704 9285 / (65) 9638 8635 woon@cogentcomms.com / (65) 6704 9268 / (65) 9694 8364
