

CHIN WELL HOLDINGS BERHAD
(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 - UNAUDITED

| | Unaudited | Audited |
|-------------------------------------|-----------------------|-----------------------|
| | As at | As at |
| | 31.12.21 | 30.06.21 |
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 155,164 | 157,222 |
| Investment properties | 5,297 | 5,341 |
| Right of use assets | 589 | 721 |
| Other receivable | 23,593 | 23,331 |
| Deferred tax assets | 139 | 136 |
| | <u>184,782</u> | <u>186,751</u> |
| Current assets | | |
| Inventories | 366,803 | 325,432 |
| Trade and other receivables | 118,219 | 110,331 |
| Current tax assets | 2,625 | 6,563 |
| Cash and bank balances | 79,498 | 85,815 |
| | <u>567,145</u> | <u>528,141</u> |
| TOTAL ASSETS | <u>751,927</u> | <u>714,892</u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 177,929 | 177,929 |
| Reserves | 438,487 | 402,502 |
| Total equity | <u>616,416</u> | <u>580,431</u> |
| Non-current liabilities | | |
| Lease liabilities | 367 | 494 |
| Deferred tax liabilities | 8,520 | 8,379 |
| | <u>8,887</u> | <u>8,873</u> |
| Current liabilities | | |
| Trade and other payables | 41,086 | 33,988 |
| Contract Liabilities | 242 | 978 |
| Borrowings | 84,529 | 88,357 |
| Lease liabilities | 257 | 256 |
| Dividend payable | - | - |
| Provision for Tax | 510 | 1,009 |
| | <u>126,624</u> | <u>124,588</u> |
| Total liabilities | <u>135,511</u> | <u>133,461</u> |
| TOTAL EQUITY AND LIABILITIES | <u>751,927</u> | <u>713,892</u> |
| Net assets per share (RM) | 2.15 | 2.01 |

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2021. The accompanying notes are an integral part of these interim financial statements.

CHIN WELL HOLDINGS BERHAD
(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2021 - UNAUDITED

| | Individual Quarter 3 months ended | | Cumulative Quarter 6 months ended | |
|---|--------------------------------------|--------------------|--------------------------------------|--------------------|
| | 31.12.21 RM'000 | 31.12.20 RM'000 | 31.12.21 RM'000 | 31.12.20 RM'000 |
| Revenue | 146,913 | 118,604 | 293,328 | 225,996 |
| Cost of sales | <u>(112,263)</u> | <u>(103,157)</u> | <u>(227,162)</u> | <u>(197,409)</u> |
| Gross profit | 34,650 | 15,447 | 66,166 | 28,587 |
| Other income | 2,022 | 1,687 | 3,138 | 2,802 |
| Administrative expenses | (5,205) | (5,832) | (9,596) | (10,986) |
| Selling and distribution expenses | <u>(3,753)</u> | <u>(2,971)</u> | <u>(9,720)</u> | <u>(4,997)</u> |
| Operating profit | 27,714 | 8,331 | 49,988 | 15,406 |
| Finance costs | <u>(331)</u> | <u>(145)</u> | <u>(484)</u> | <u>(379)</u> |
| Profit before tax | 27,383 | 8,186 | 49,504 | 15,027 |
| Tax expense | <u>(6,236)</u> | <u>(2,444)</u> | <u>(11,096)</u> | <u>(4,120)</u> |
| Profit for the financial period/year | 21,147 | 5,742 | 38,408 | 10,907 |
| Other comprehensive income/(loss), net of tax | | | | |
| Item that will be reclassified subsequently to profit or loss | | | | |
| Foreign currency translation differences for foreign operations | <u>(998)</u> | <u>(4,497)</u> | <u>2,733</u> | <u>(9,331)</u> |
| Total comprehensive income attributable to the owners of the company for the financial period/year | <u>20,149</u> | <u>1,245</u> | <u>41,141</u> | <u>1,576</u> |
| Earnings per share attributable to owners of the Company (sen) | | | | |
| - Basic/Diluted | <u>7.38</u> | <u>1.99</u> | <u>13.41</u> | <u>3.77</u> |

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2021. The accompanying notes are an integral part of these interim financial statements.

CHIN WELL HOLDINGS BERHAD
(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2021 - UNAUDITED

| | ----- Non-distributable ----- | | | Distributable | | Total Equity RM'000 |
|---|-------------------------------|--|------------------------------|---|-------------------------------|---------------------------|
| | Share Capital RM'000 | Share Premium RM'000 Note (1) | Treasury Shares RM'000 | Foreign Translation Reserve RM'000 | Retained Profits RM'000 | |
| At 1 July 2021 | 177,929 | - | (18,865) | 1,946 | 419,421 | 580,431 |
| Foreign exchange differences on translation | - | - | - | 2,733 | - | 2,733 |
| Profit for the financial year | - | - | - | - | 38,408 | 38,408 |
| Total comprehensive income for the financial year | - | - | - | 2,733 | 38,408 | 41,141 |
| Transactions with owners: | | | | | | |
| Purchase of treasury shares | - | - | - | - | - | - |
| Dividends | - | - | - | - | (5,156) | (5,156) |
| Total transactions with owners | - | - | - | - | (5,156) | (5,156) |
| At 31 December 2021 | <u>177,929</u> | <u>-</u> | <u>(18,865)</u> | <u>4,679</u> | <u>452,673</u> | <u>616,416</u> |
| At 1 July 2020 | 177,929 | - | (15,301) | 37,297 | 368,837 | 568,762 |
| Foreign exchange differences on translation | - | - | - | (9,331) | - | (9,331) |
| Profit for the financial year | - | - | - | - | 10,907 | 10,907 |
| Total comprehensive income for the financial year | - | - | - | (9,331) | 10,907 | 1,576 |
| Transaction with owners: | | | | | | |
| Purchase of treasury shares | - | - | (538) | - | - | (538) |
| Dividends | - | - | - | - | - | - |
| Total transactions with owners | - | - | (538) | - | - | (538) |
| At 31 December 2020 | <u>177,929</u> | <u>-</u> | <u>(15,839)</u> | <u>27,966</u> | <u>379,744</u> | <u>569,800</u> |

Note:

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM28,162,800 for purposes as set out in Sections 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2021. The accompanying notes are an integral part of these interim financial statements.

CHIN WELL HOLDINGS BERHAD

(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2021 - UNAUDITED

| | 31.12.21 | 31.12.20 |
|--|-----------------|-----------------|
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 49,504 | 15,027 |
| Adjustments for: | | |
| Depreciation | 6,687 | 6,596 |
| Gain on disposal of property, plant and equipment | - | (855) |
| Impairment loss (reverse)/charge on receivables | (381) | 1,514 |
| Interest expense | 484 | 378 |
| Interest income | (775) | (781) |
| Reversal of Unwinding interest | (262) | - |
| Property, plant and equipment written off | - | 5 |
| Inventory written down | - | - |
| Unrealised loss on foreign exchange | 142 | 1,320 |
| Operating profit before working capital changes | 55,399 | 23,204 |
| (Increase)/Decrease in inventories | (39,520) | 5,147 |
| Increase in receivables | (7,338) | (10,360) |
| Increase in payables | 5,123 | 9,219 |
| Cash from operation | 13,664 | 27,210 |
| Interest paid | (484) | (378) |
| Income tax paid | (7,544) | (2,947) |
| Net cash from operating activities | 5,636 | 23,885 |
| Cash flows from investing activities | | |
| Interest received | 775 | 781 |
| Proceeds from disposal of property, plant and equipment | - | 1,149 |
| Purchase of property, plant and equipment | (3,319) | (3,311) |
| Net cash used in investing activities | (2,544) | (1,381) |
| Cash flows from financing activities | | |
| Dividend paid | (5,156) | - |
| Net change in borrowings | (4,742) | (39,199) |
| Payment of principal portion of lease liabilities | - | (115) |
| Purchase of treasury shares | - | (538) |
| Net cash used in financing activities | (9,898) | (39,852) |
| Net decrease in cash and bank balances | (6,806) | (17,348) |
| Effect of changes in exchange rate on cash and bank balances | 489 | (2,395) |
| Cash and bank balances at beginning | 85,815 | 110,322 |
| Cash and bank balances at end | 79,498 | 90,579 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2021. The accompanying notes are an integral part of these interim financial statements.

CHIN WELL HOLDINGS BERHAD
(371551-T)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Part A - Explanatory Notes Pursuant To MFRS 134

A1. Basis of Preparation

The condensed consolidated interim financial statements ("Report") have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The audited financial statements of the Group for the financial year ended 30 June 2021 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing this Report are consistent with those of the audited financial statements for the financial year ended 30 June 2021.

A2. Significant Accounting Policies

A2.1 Adoption of MFRS and amendments to MFRS

The following MFRS and amendments to MFRS have come into effect during the current financial period:

Effective for annual period beginning on or after 1 January 2021

Amendment to MFRS 9 Financial Instruments, MFRS139 Financial Instruments: Recognition and Measurement, MFRS7 Financial Instruments: Disclosure, MFRS4 Insurance Contracts and MFRS 16 Lease: Interest Rate Benchmark Reform - Phase 2

Effective for annual period beginning on or after 1 April 2021

Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021.

The initial application of the above standards does not have any significant financial impacts to the Group's financial statements upon adoption.

A2.2 Standards issued but not yet effective

At the date of authorisation of this Report, the following standards were issued but not yet effective and have not been early applied by the Group:

Effective for annual period beginning on or after 1 January 2022

Amendments to MFRS3 Business Combination: Reference to the Conceptual Framework
Amendments to MFRS116 Property, Plant and Equipment: Property, Plant and Equipment-Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts-Cost of Fulfilling a Contract
Annual Improvement to MFRS Standards 2018-2020

Effective for annual period beginning on or after 1 January 2023

MFRS17 Insurance Contracts
Amendments to MFRS 4 Insurance Contracts - extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS17 Insurance Contracts
Amendments to MFRS101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current
Amendments to MFRS108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date yet to be confirmed

Amendments to MFRS10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption.

A3. Audit Report of Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements for the financial year ended 30 June 2021 was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The business of the Group was not affected by seasonal or cyclical factors. Factors such as world economic growth might have implication on the Group's revenue.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

A6. Changes in Estimates

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the current financial period under review.

A7. Debt and Equity Securities

There was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period under review, except as follows:

| | Treasury shares | |
|--|-----------------|------------|
| | No. of Shares | RM |
| Repurchase of own shares during the current period to date | Nil | Nil |
| Repurchase of own shares as of 31.12.2021 | 13,069,800 | 18,865,126 |

A8. Dividend Paid

The was no dividend paid in the previous corresponding period and the dividend paid during the current reporting quarter is per below:

| | Financial period ended 30.06.22 RM |
|---|---|
| Second interim single tier dividend paid on 26 November 2021 for the financial year ended 30 June 2021 - 1.80 sen per ordinary share | 5,156,341 |
| | <u>5,156,341</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A9. Segment Information

Segment information is presented in respect of the Group's business segments. Inter-segment pricing is determined based on negotiated basis.

(i) Analysis by business segments

| | Fastener Products RM'000 | Wire Products RM'000 | Investment Holding RM'000 | Elimination/ Adjustment RM'000 | Group RM'000 |
|--|---|-------------------------------------|--|---|-------------------------|
| 6 months ended 31 December 2021 | | | | | |
| Revenue | | | | | |
| External revenue | 202,046 | 91,282 | - | - | 293,328 |
| Inter-segment revenue | - | - | - | - | - |
| Total revenue | 202,046 | 91,282 | - | - | 293,328 |
| Results | | | | | |
| Segment profit | 40,852 | 15,294 | (249) | - | 55,897 |
| Finance costs | (355) | (129) | - | - | (484) |
| Interest income | 656 | 35 | 87 | - | 778 |
| Depreciation | (4,830) | (1,857) | - | - | (6,687) |
| Profit before tax | 36,323 | 13,343 | (162) | - | 49,504 |
| Segment assets | 604,667 | 139,123 | 8,137 | - | 751,927 |
| Segment liabilities | 100,903 | 34,272 | 336 | - | 135,511 |

| | Fastener Products RM'000 | Wire Products RM'000 | Investment Holding RM'000 | Elimination RM'000 | Group RM'000 |
|--|---|-------------------------------------|--|-------------------------------|-------------------------|
| 6 months ended 31 December 2020 | | | | | |
| Revenue | | | | | |
| External revenue | 157,452 | 68,544 | - | - | 225,996 |
| Inter-segment revenue | - | - | 22,393 | (22,393) | - |
| Total revenue | 157,452 | 68,544 | 22,393 | (22,393) | 225,996 |
| Results | | | | | |
| Segment profit | 13,572 | 8,032 | 22,009 | (22,393) | 21,220 |
| Finance costs | (240) | (138) | - | - | (378) |
| Interest income | 636 | 35 | 110 | - | 781 |
| Depreciation | (4,695) | (1,901) | - | - | (6,596) |
| Profit before tax | 9,273 | 6,028 | 22,119 | (22,393) | 15,027 |
| Segment assets | 524,840 | 118,148 | 353,101 | (350,751) | 645,338 |
| Segment liabilities | 140,515 | 29,646 | 228 | (94,851) | 75,538 |

(ii) Analysis by geographical segments

| | Revenue 6 months | | Non-current Assets* | |
|-----------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | ended 31.12.21 RM'000 | ended 31.12.20 RM'000 | as at 31.12.21 RM'000 | as at 31.12.20 RM'000 |
| Malaysia | 96,296 | 75,677 | 117,625 | 128,119 |
| Vietnam | 1,257 | 1,607 | 67,157 | 62,114 |
| Other Asian countries | 12,665 | 21,780 | - | - |
| European countries | 106,962 | 50,726 | - | - |
| North America | 63,182 | 73,417 | - | - |
| Others | 12,966 | 2,789 | - | - |
| | 293,328 | 225,996 | 184,782 | 190,233 |

* Non-current assets information presented excludes financial assets.

A10. Valuations of Property, Plant and Equipment

There were no changes in the valuation of property, plant and equipment since the last audited financial statements for the financial year ended 30 June 2021.

A11. Event Subsequent to the End of the Reporting Period

The Company had, on 25 October 2021, announced that Chin Well Service Centre Sdn Bhd (“CWSC”), a wholly-owned subsidiary of the Company had, on the even date, entered into a conditional settlement agreement (“Settlement Agreement”) with NBH Service Centre Sdn Bhd (“NBHSC”), Ng Beng Hoo (“NBH”) and Toh Su See (“TSS”) in relation to the settlement of RM47,683,244.80 due from NBHSC to CWSC (“Proposed Settlement”).

The Proposed Settlement involves the settlement of RM47,683,244.80 due from NBHSC to CWSC (“Amount Owing”) in the following manner:

(i) Transfer amount amounting to RM27,681,274.59 will be settled by way of the following:

- (a) 45% of the adjusted net assets (“NA”) of NBH Realty Sdn Bhd as at 31 December 2020 amounting to RM1,686,979.17;
- (b) 45% of the adjusted NA of Jadi Raya Sdn Bhd as at 31 December 2020 amounting to RM98,514.90; and
- (c) the TSS advances amounting to RM25,895,780.52 as at the date of the Settlement Agreement;

(ii) Balance amount amounting to RM20,001,970.21 represents the Amount Owing after deducting the transfer amount and will be settled over a period of five (5) years.

The Proposed Settlement is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad as certain directors and/or major shareholders of the Company are deemed interest in the Proposed Settlement.

The Proposed Settlement had been approved by the shareholders in the EGM held on 28 January 2022 and it has been completed on 7 February 2022.

Save as disclosed above, there were no other material events subsequent to the end of current reporting quarter ended 31 December 2021 that have not been reflected in this interim financial reports.

A12. Contingencies

There were no contingent assets or contingent liabilities since the end of the last annual reporting period.

A13. Changes in Group’s Composition

There were no changes in the composition of the Group during the financial period under review.

A14. Capital Commitments

The Group has no major capital commitments as at the end of the reporting period except the followings:

Approved and contracted for:
- Property, plant and equipment

RM'000
666

Part B - Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad

B1. Performance Analysis of all Operating Segments

Comparison with the corresponding quarter and financial year to date in the previous financial year

| | Individual Quarter | | Changes | | Cumulative Quarter | | Changes | |
|---|--------------------|----------------|---------------|---------------|--------------------|----------------|---------------|---------------|
| | 3 months ended | | RM'000 | % | 6 months ended | | RM'000 | % |
| | 31.12.21 | 31.12.20 | | | 31.12.21 | 31.12.20 | | |
| | RM'000 | RM'000 | | | RM'000 | RM'000 | | |
| Revenue - Business Segments | | | | | | | | |
| -- Fasteners Products | 96,840 | 82,575 | 14,265 | 17.3% | 202,046 | 157,452 | 44,594 | 28.3% |
| -- Wire Products | 50,073 | 36,029 | 14,044 | 39.0% | 91,282 | 68,544 | 22,738 | 33.2% |
| | <u>146,913</u> | <u>118,604</u> | <u>28,309</u> | <u>23.9%</u> | <u>293,328</u> | <u>225,996</u> | <u>67,332</u> | <u>29.8%</u> |
| Profit/(Loss) before interest & tax | | | | | | | | |
| -- Fasteners Products | 20,321 | 5,082 | 15,239 | 299.9% | 36,678 | 9,513 | 27,165 | 285.6% |
| -- Wire Products | 7,572 | 3,500 | 4,072 | 116.3% | 13,472 | 6,166 | 7,306 | 118.5% |
| -- Investment Holding | (179) | (252) | 73 | 29.0% | (162) | (274) | 112 | 40.9% |
| | <u>27,714</u> | <u>8,330</u> | <u>19,384</u> | <u>232.7%</u> | <u>49,988</u> | <u>15,405</u> | <u>34,583</u> | <u>224.5%</u> |
| Profit/(Loss) before tax | | | | | | | | |
| -- Fasteners Products | 20,059 | 5,043 | 15,016 | 297.8% | 36,323 | 9,273 | 27,050 | 291.7% |
| -- Wire Products | 7,503 | 3,395 | 4,108 | 121.0% | 13,343 | 6,028 | 7,315 | 121.4% |
| -- Investment Holding | (179) | (252) | 73 | 29.0% | (162) | (274) | 112 | 40.9% |
| | <u>27,383</u> | <u>8,186</u> | <u>19,197</u> | <u>234.5%</u> | <u>49,504</u> | <u>15,027</u> | <u>34,477</u> | <u>229.4%</u> |
| Profit/(Loss) after tax attributable to ordinary equity holders of the parent | | | | | | | | |
| -- Fasteners Products | 15,623 | 3,413 | 12,210 | 357.7% | 28,429 | 6,624 | 21,805 | 329.2% |
| -- Wire Products | 5,703 | 2,581 | 3,122 | 121.0% | 10,141 | 4,557 | 5,584 | 122.5% |
| -- Investment Holding | (179) | (252) | 73 | 29.0% | (162) | (274) | 112 | 40.9% |
| | <u>21,147</u> | <u>5,742</u> | <u>15,405</u> | <u>268.3%</u> | <u>38,408</u> | <u>10,907</u> | <u>27,501</u> | <u>252.1%</u> |

Overall Review of Group' Financial Performance

During the current reporting year to date, the Group achieved a total revenue and total profit before tax of RM293.33 million and RM49.50 million respectively. Total revenue of the Group increased by 29.8% in the current reporting period. The profit before tax of the Group increased by RM34.48 million to RM49.50 million as compared to RM 15.03 million in the corresponding period in the preceding year. This is in line with the higher revenue generated in addition to the better profit margins enjoyed by both the Fasteners and Wire divisions following the increase of its average selling price in the current reporting period.

The equity attributable to the owners of the Company increased to RM616.42 million as at 31.12.2021 as compared to RM580.43 million as at 30.6.2021 after recognition of the profit after tax and declaration of dividend of RM 38.41 million and RM5.16 million respectively. In addition the equity of the Group increased by RM 2.73 million arising from the foreign exchange gain from translation of its foreign subsidiary accounts in the current reporting period.

In view of the shortage of supply of wire rod in the global market, the Group had been stocking up its raw material to ensure that there is sufficient inventory for its production requirement which resulted in lower total cash and bank balance of the Group as at the closing date of RM79.50 million which was lower by RM11.08 million as compared to the corresponding period in the last financial year.

Individual Quarter

Fasteners Products

The Fasteners Products Division recorded a higher revenue of RM96.84 million in the current reporting quarter which represented an increase of 17.3% as compared to the preceding year corresponding period. The lower revenue in the preceding year was due to the adverse effect on economic activities as a result of the COVID-19 pandemic. In the current reporting quarter, the demand from the European market had rebounded while the local demand had gradually returned. In addition to the higher demand, the higher wire rod price had also boosted the average selling price of the fasteners products and contributed to the higher revenue recorded in the current quarter. In line with the increase in revenue, the profit before tax of the division in the current reporting quarter improved by RM15.02 million as compared to the preceding year corresponding period.

Wire Products

The Wire Products division achieved higher sales of RM50.07 million in the current reporting period which represents an increase of 39.0% as compared to the corresponding period in the immediate preceding year. The increase in local demand with better profit margin led to the higher profit before tax of RM7.50 million as compared to RM3.40 million in the preceding year corresponding period.

Cumulative Quarter

The Group recorded a total revenue of RM 293.33 million and a profit before tax of RM49.50 million in the current financial period to date.

Fasteners Products Division

The division recorded a total revenue of RM202.05 million in the current reporting period which represents an increase of 28.3% as compared to the preceding reporting period. In line with the higher revenue, the profit before tax of the division improved by RM27.05 mil to RM36.32 mil in the current cumulative quarter. The higher selling price following the increase in global wire rod price is the main contributor to the better performance of the division.

Wire Products Division

The Wire Products Division recorded a higher revenue of RM91.28 million and profit before tax of RM13.34 million in the current reporting period to date. Local demand increased following the resumption of construction activities which led to the better performance of the division.

B2. Variation of Results Against Preceding Quarter

| | 3 months ended 31.12.21 RM'000 | 3 months ended 30.09.21 RM'000 | Changes | |
|---|---|---|----------------|----------|
| | | | RM'000 | % |
| Revenue - Business Segments | | | | |
| -- Fasteners Products | 96,840 | 105,206 | (8,366) | -7.95% |
| -- Wire Products | 50,073 | 41,209 | 8,864 | 21.51% |
| | <u>146,913</u> | <u>146,415</u> | 498 | 0.34% |
| Profit/(Loss) before interest & tax | | | | |
| -- Fasteners Products | 20,321 | 16,357 | 3,964 | 24.23% |
| -- Wire Products | 7,572 | 5,900 | 1,672 | 28.34% |
| -- Investment Holding | (179) | 17 | (196) | 1152.94% |
| | <u>27,714</u> | <u>22,274</u> | 5,440 | 24.42% |
| Profit/(Loss) before tax | | | | |
| -- Fasteners Products | 20,059 | 16,264 | 3,795 | 23.33% |
| -- Wire Products | 7,503 | 5,840 | 1,663 | 28.48% |
| -- Investment Holding | (179) | 17 | (196) | 1152.94% |
| | <u>27,383</u> | <u>22,121</u> | 5,262 | 23.79% |
| Profit/(Loss) after tax attributable to ordinary equity holders of the parent | | | | |
| -- Fasteners Products | 15,623 | 12,806 | 2,817 | 22.00% |
| -- Wire Products | 5,703 | 4,438 | 1,265 | 28.50% |
| -- Investment Holding | (179) | 17 | (196) | 1152.94% |
| | <u>21,147</u> | <u>17,261</u> | 3,886 | 22.51% |

The Group recorded a total revenue of RM146.91 million and profit before tax of RM27.38 million for the current quarter under review.

Fasteners Products

The revenue of the Fastener Products Division is RM96.84 million in the current quarter as compared to RM105.21 mil in the immediate preceding quarter. The drop in revenue is mainly due to the lockdown implemented by the Vietnam government during the reporting quarter as a control measure in Vietnam to prevent the spread of the Covid-19 in their local community. However, this did not affect the profit before tax of the division which increased by RM3.79 mil to RM20.06 mil due to the better profit margin which was contributed by the product mix, reduction in distribution cost and higher other income.

Wire Products

The Wire Products Division recorded a revenue of RM50.07 million in the current reporting quarter representing a increase of 21.51% as compared to the RM41.21 million in the immediate preceding quarter. The profit before tax of the division improved by 28.48% to RM7.50 million in the current quarter which is in line with the higher revenue recorded.

B3. Prospects of the Remaining Quarters

The market outlook for the Group in the remaining quarters is expected to be better as compared to the previous financial year. Despite the on-going global uncertainties, the Group expect the global industrial fastener demand will gradually return to pre-pandemic levels in the foreseeable future. In view of the positive progress of the vaccination programme in the country, the Group expect the construction projects in Malaysia which was adversely affected since the Movement Control Order (MCO) period to progressively restart resulting in deliveries to customers in the related industry. The orders from US and Europe are expected to continue to increase in the remaining quarters. The increasing wire rod market price is also expected to benefit the performance of the Group.

The existing DIY segment in Vietnam will continue to bring positive contribution to the Group's performance through the increase of its distribution network in the European and US markets. The Wire Product division with the expansion in production from new product lines such as welded fencing, gabion and poultry mesh, which commenced in the previous quarter is expected to enhance the division's result in the long term with its high value added margin.

In addition to the existing core business, from time to time, the Group will explore other new business ventures which will potentially benefit the growth of the Group.

Barring any unforeseen circumstances, the Group anticipates an improved performance in the current financial year.

B4. Profit Forecast

There was no profit forecast made in any public document.

B5. Profit For The Period

Included in profit or loss for the current quarter and financial year to to date are as follows:

| | Current quarter RM'000 | Current Year To date RM'000 |
|--|---------------------------------------|--|
| Depreciation | 3,373 | 6,687 |
| Impairment loss charge on receivables | (26) | (381) |
| Interest expense | 331 | 484 |
| Interest income | (567) | (775) |
| Unwinding interest | (131) | (262) |
| Unrealised loss/(gain) on foreign exchange | (333) | 142 |
| Realised gain on foreign exchange | 637 | (778) |
| Rental income | (108) | (215) |

Other than the above items, there were no gain or loss on disposal of quoted or unquoted investments or properties, write off of inventories as well as other exceptional items.

B6. Tax Expense

| | Individual Quarter | | Cumulative Quarter | |
|----------------------------|--------------------|----------------|--------------------|----------------|
| | 3 months ended | | 6 months ended | |
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| - Current tax | (6,377) | (2,672) | (11,237) | (4,348) |
| - Deferred tax liabilities | 141 | 228 | 141 | 228 |
| | <u>(6,236)</u> | <u>(2,444)</u> | <u>(11,096)</u> | <u>(4,120)</u> |

The Group's effective tax rate for the current period under review is lower than the Malaysian statutory income tax rate of 24%. This is mainly due the lower tax rate enjoyed by the subsidiary in Vietnam.

B7. Status of Corporate Proposals

There were no other corporate proposals announced but not completed as at the date of this report save as disclosed in Note A11 above.

B8. Borrowings and Debt Securities

The Group's borrowings :

| As as 31.12.2021 | Denominated in USD RM'000 | Denominated in RM RM'000 | Total RM'000 |
|--------------------------------|---------------------------------|--------------------------------|-----------------|
| Secured: | | | |
| Short term | | | |
| Bankers acceptance | - | - | - |
| Overdraft | - | - | - |
| Onshore foreign currency loans | 57,561 | - | 57,561 |
| Short term loans | 26,968 | - | 26,968 |
| | <u>84,529</u> | <u>-</u> | <u>84,529</u> |
| | | | - |
| As as 31.12.2020 | | | |
| Secured: | | | |
| Bankers acceptance | - | - | - |
| Overdraft | - | - | - |
| Onshore foreign currency loans | 26,772 | - | 26,772 |
| Short term loans | 4,373 | - | 4,373 |
| | <u>31,145</u> | <u>-</u> | <u>31,145</u> |

a. The total borrowings as at the end of the reporting period increased to RM84.53 million as compared to RM31.15 million as of 31.12.2020. More bank borrowings were drawdown in the current reporting period to finance the purchase of raw materials. Higher borrowing cost was recorded in the current period due to the same reasons.

b. The average interest rates of borrowings during the current reporting period to date are as follows:

| | 31.12.21 % | 31.12.20 % |
|----------------------------------|---------------|---------------|
| Borrowings denominated in RM | | |
| - Bankers acceptance | - | - |
| Borrowings denominated in USD | | |
| - Onshore foreign currency loans | 0.39 | 0.62 |
| - Short term loans | 1.30 | 2.30 |

All the borrowings are based on floating interest rates.

c. Borrowings denominated in USD are not hedged to RM as the borrowings will be paid off from the export proceeds of the respective subsidiaries denominated in foreign currencies.

B9. Material Litigation

There was no material litigation during the financial period under review except the followings:

- a. On 10 December 2020, Chin Well Service Centre (CWSC), the wholly-owned subsidiary of the Company had filed a Writ of Summon and a Statement of Claim dated 10 December 2020 in the High Court of Malaya at Kuala Lumpur against Lifomax Woodbuild Sdn Bhd and Novamas Enterprise Sdn Bhd (collectively, "the Defendants") through a firm of lawyers acting on its behalf ("the Lifomax/Novamas Claim").

The Lifomax/Novamas Claim sets out that CWSC placed orders of various steel products with the Defendants on diverse dates in 2019 and 2020 for the Defendants to deliver the products to a customer of CWSC namely NBH Service Centre Sdn Bhd (NBHSC). On the Defendants producing invoices accompanied by delivery orders affording evidence of the delivery of the products to NBHSC, CWSC was induced to pay the Defendants the aggregate sum of RM26,340,980 for the products.

The payment to the Defendants was made in discharge of CWSC's obligations as a buyer and it was only upon NBHSC denying receipt of the products purportedly because of the non-delivery of the products that the filing of this action has become necessary.

CWSC is claiming the sum of :

- i. RM15,288,100 against Lifomax Woodbuild Sdn Bhd;
- ii. RM11,052,880 against Novamas Enterprise Sdn Bhd;
- iii. Such further and other relief and order the Honourable Court deems fit.

Both Defendants have filed their respective Defences to the claim and CWSC has filed its Reply to both Defences. The Defendants have also filed applications to strike out the Claim which CWSC is strenuously objecting.

On 1 December 2021, the 1st Defendant i.e. Lifomax Woodbuild Sdn Bhd was wound up by the Shah Alam High Court on a petition presented by Azimat Berkat Sdn Bhd based on a Court judgment. Accordingly, the 1st Defendant's application to strike out the Claim has been adjourned pending the instructions of the Official Receiver whilst the Claim is stayed pending leave of the winding up Court.

In addition to the above, both the Defendants' application to strike out the Claim is fixed for case management on 28 March 2022 pending the approval by the shareholders of Chin Well Holdings Berhad of the settlement agreement entered into *inter-alia* between CWSC and NBHSC.

Given that the shareholders of Chin Well Holdings Berhad have approved the said settlement agreement, CWSC shall now proceed to apply to withdraw the Novamas Claim in accordance to the terms and conditions of the settlement agreement.

- b. On 8 December 2020, CWSC filed a Writ of Summon and a Statement of Claim dated 8 December 2020 in the High Court of Malaya at Kuala Lumpur against NHJ Marketing Sdn Bhd. (NHJ), Ng Han John and Ng Han Jim (collectively, "the Defendants") through a firm of lawyers acting on its behalf. Ng Han John and Ng Han Jim are the directors of NHJ ("the NHJ Claim").

The NHJ Claim sets out that CWSC had placed orders of various steel products with the NHJ on diverse dates in 2019 and 2020 for NHJ to deliver the product to a customer of CWSC, namely NBHSC. On NHJ producing invoices accompanied by delivery orders affording evidence of the delivery of the of the products to NBHSC, CWSC induced to pay NHJ the aggregate sum of RM19,800,000 for the products.

The payment to the Defendants was made in discharge of CWSC's obligations as a buyer and it was only upon NBHSC denying receipt of the products purportedly because of the non-delivery of the products that the filing of this action has become necessary.

CWSC is claiming the sum of :

- i. RM19,800,000 against the NHJ;
- ii. A Declaration that the Ng Han John and Ng Han Jim are liable personally in the sum of RM19,800,000.00 to CWSC;
- iii. Judgment for the sum of RM19,800,000.00 against Ng Han John and Ng Han Jim; and
- iv. Costs of this action to be paid by the Defendants to CWSC on client-solicitor basis; and
- v. Such further and other relief and order the Honorable Court deems fit.

The Defendants have filed their respective Defences to the claim and CWSC has filed its Reply to the respective Defences.

The Defendants have also filed applications to strike out the Claim which CWSC is strenuously objecting. The said application to strike out is fixed for case management on 28 March 2022 pending the approval by the shareholders of Chin Well Holdings Berhad of the settlement agreement entered into *inter-alia* between CWSC and NBHSC.

Given that the shareholders of Chin Well Holdings Berhad have approved the said settlement agreement, CWSC shall now proceed to apply to withdraw the NHJ Claim in accordance to the terms and conditions of the settlement agreement.

- c. CWSC has succeeded in an application to transfer the NHJ Claim to be heard with the Lifomax/Novamas Claim.

B10. Proposed Dividend

a. There was no dividend declared in the corresponding quarter and the dividend declared during the current reporting quarter are per below:

| | Current Quarter | Corresponding Quarter |
|---|---------------------|-----------------------|
| Interim dividend for the financial year | 30.6.2022 | 30.6.2021 |
| Declared and approved on | 23.2.2022 | 26.2.2021 |
| Entitlement date | 25.04.2022 | 23.4.2021 |
| Payment date | 20.5.2022 | 21.5.2021 |
| Dividend per share | 5.40 sen | 1.50 sen |
| Dividend % (Single Tier) | 10.80%(single tier) | 3.0%(single tier) |
| Net dividend payable | RM15,469,022 | RM4,331,329 |

b. The total dividend declared for the current financial year ended 30 June 2022 is 5.40 sen per share.

B11. Earnings Per Share

(i) Basic earnings per share

The basic earnings per share has been calculated based on the Group's profit after tax attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial period:

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|----------------|--------------------|----------------|
| | 3 months ended | 3 months ended | 6 months ended | 6 months ended |
| | 31.12.21 | 31.12.20 | 31.12.21 | 31.12.20 |
| Profit after tax | | | - | - |
| Attributable to owners of the Company (RM'000) | 21,147 | 5,742 | 38,408 | 10,907 |
| Weighted average number of ordinary shares ('000) | 286,463 | 289,218 | 286,463 | 289,218 |
| Basic Earnings Per Share (sen) | 7.38 | 1.99 | 13.41 | 3.77 |

(ii) Diluted Earnings Per Share

| | | | | |
|----------------------------------|------|------|-------|------|
| Diluted Earnings Per Share (sen) | 7.38 | 1.99 | 13.41 | 3.77 |
|----------------------------------|------|------|-------|------|

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.