

CHIN WELL HOLDINGS BERHAD
(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022 - UNAUDITED

	Unaudited	Audited
	As at	As at
	31.03.22	30.06.21
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	152,731	157,222
Investment properties	67,614	5,341
Right of use assets	524	721
Other receivable	-	23,331
Deferred tax assets	139	136
	<u>221,008</u>	<u>186,751</u>
Current assets		
Inventories	354,571	325,432
Trade and other receivables	127,254	110,331
Current tax assets	3,257	6,563
Cash and bank balances	97,473	85,815
	<u>582,555</u>	<u>528,141</u>
TOTAL ASSETS	<u>803,563</u>	<u>714,892</u>
EQUITY AND LIABILITIES		
Share capital	177,929	177,929
Reserves	453,959	402,502
	<u>631,888</u>	<u>580,431</u>
Non-controlling interest	2,082	-
Total equity	<u>633,970</u>	<u>580,431</u>
Non-current liabilities		
Lease liabilities	303	494
Amount due to minority shareholders	31,857	-
Deferred tax liabilities	9,003	8,379
	<u>41,163</u>	<u>8,873</u>
Current liabilities		
Trade and other payables	46,474	33,988
Contract Liabilities	242	978
Borrowings	65,068	88,357
Lease liabilities	256	256
Dividend payable	15,469	-
Provision for Tax	921	1,009
	<u>128,430</u>	<u>124,588</u>
Total liabilities	<u>169,593</u>	<u>133,461</u>
TOTAL EQUITY AND LIABILITIES	<u>803,563</u>	<u>713,892</u>
Net assets per share (RM)	2.21	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 9 MONTHS PERIOD ENDED 31 MARCH 2022 - UNAUDITED

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31.03.22 RM'000	31.03.21 RM'000	31.03.22 RM'000	31.03.21 RM'000
Revenue	167,640	135,314	460,968	361,310
Cost of sales	<u>(125,027)</u>	<u>(112,598)</u>	<u>(352,189)</u>	<u>(310,007)</u>
Gross profit	42,613	22,716	108,779	51,303
Other income	3,469	1,028	6,607	3,830
Administrative expenses	(5,741)	(7,421)	(15,337)	(18,407)
Selling and distribution expenses	<u>(2,577)</u>	<u>(6,860)</u>	<u>(12,297)</u>	<u>(11,857)</u>
Operating profit	37,764	9,463	87,752	24,869
Finance costs	<u>(161)</u>	<u>(189)</u>	<u>(645)</u>	<u>(568)</u>
Profit before tax	37,603	9,274	87,107	24,301
Tax expense	<u>(7,630)</u>	<u>(1,896)</u>	<u>(18,726)</u>	<u>(6,016)</u>
Profit for the financial period/year	29,973	7,378	68,381	18,285
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>982</u>	<u>(44)</u>	<u>3,715</u>	<u>(9,375)</u>
Total comprehensive income for the financial period/year	30,955	7,334	72,096	8,910
Profit attributable to:				
Owners of the parent	29,974	7,378	68,382	18,285
Non-controlling interest	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u>29,973</u>	<u>7,378</u>	<u>68,381</u>	<u>18,285</u>
Total comprehensive income attributable to:				
Owners of the parent	30,956	7,334	72,097	8,910
Non-controlling interest	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u>30,955</u>	<u>7,334</u>	<u>72,096</u>	<u>8,910</u>
Earnings per share attributable to owners of the Company (sen)				
- Basic/Diluted	<u>10.46</u>	<u>2.57</u>	<u>23.87</u>	<u>6.37</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 9 MONTHS PERIOD ENDED 31 MARCH 2022 - UNAUDITED

	----- Non-distributable -----			Distributable		Total RM'000	Non-controlling Interest RM'000	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	-	580,431
Foreign exchange differences on translation	-	-	-	3,715	-	3,715	-	3,715
Acquisition of subsidiaries	-	-	-	-	-	-	2,083	2,083
Profit for the financial year	-	-	-	-	68,382	68,382	(1)	68,381
Total comprehensive income for the financial year	-	-	-	3,715	68,382	72,097	2,082	74,179
Transactions with owners:								
Purchase of treasury shares	-	-	(15)	-	-	(15)	-	(15)
Dividends	-	-	-	-	(20,625)	(20,625)	-	(20,625)
Total transactions with owners	-	-	(15)	-	(20,625)	(20,640)	-	(20,640)
At 31 March 2022	177,929	-	(18,880)	5,661	467,178	631,888	2,082	633,970
At 1 July 2020	177,929	-	(15,301)	37,297	368,837	568,762	-	568,762
Foreign exchange differences on translation	-	-	-	(9,375)	-	(9,375)	-	(9,375)
Profit for the financial year	-	-	-	-	18,285	18,285	-	18,285
Total comprehensive income for the financial year	-	-	-	(9,375)	18,285	8,910	-	8,910
Transaction with owners:								
Purchase of treasury shares	-	-	(1,059)	-	-	(1,059)	-	(1,059)
Dividends	-	-	-	-	(4,363)	(4,363)	-	(4,363)
Total transactions with owners	-	-	(1,059)	-	(4,363)	(5,422)	-	(5,422)
At 31 March 2021	177,929	-	(16,360)	27,922	382,759	572,250	-	572,250

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 9 MONTHS PERIOD ENDED 31 MARCH 2022 - UNAUDITED

	31.03.22 RM'000	31.03.21 RM'000
Cash flows from operating activities		
Profit before tax	87,107	24,301
Adjustments for:		
Depreciation	10,085	9,822
Gain on disposal of property, plant and equipment	-	(854)
Impairment loss (reverse)/charge on receivables	(316)	2,521
Interest expense	645	568
Interest income	(1,253)	(1,025)
Reversal of Unwinding interest	(2,618)	-
Unrealised loss on foreign exchange	32	395
Operating profit before working capital changes	93,682	35,728
Increase in inventories	(26,519)	(15,306)
Decrease/(Increase) in receivables	10,151	(49,767)
(Decrease)/Increase in payables	(15,743)	17,424
Cash from/(used in) operation	61,571	(11,921)
Interest paid	(646)	(568)
Income tax paid	(15,343)	(588)
Net cash from/(used in) operating activities	45,582	(13,077)
Cash flows from investing activities		
Interest received	1,253	1,025
Cashflow from acquisition of equity interest in subsidiaries	(9)	-
Proceeds from disposal of property, plant and equipment	1	1,149
Purchase of property, plant and equipment	(4,096)	(8,077)
Net cash used in investing activities	(2,851)	(5,903)
Cash flows from financing activities		
Dividend paid	(5,156)	-
Net change in borrowings	(24,614)	2,734
Payment of principal portion of lease liabilities	(191)	(178)
Purchase of treasury shares	(15)	(1,059)
Net cash (used in)/from financing activities	(29,976)	1,497
Net increase/(decrease) in cash and bank balances	12,755	(17,483)
Effect of changes in exchange rate on cash and bank balances	(1,097)	(2,338)
Cash and bank balances at beginning	85,815	110,322
Cash and bank balances at end	97,473	90,501

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	10,000	15,320
Repurchase of own shares as of 31.03.2022	13,079,800	18,880,446

A8. Dividend Paid

The was no dividend paid in the previous corresponding period and the dividend paid during the current reporting period 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
9 months ended 31 March 2022					
Revenue					
External revenue	331,149	129,819	-	-	460,968
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>331,149</u>	<u>129,819</u>	<u>-</u>	<u>-</u>	<u>460,968</u>
Results					
Segment profit	77,441	19,597	(454)	-	96,584
Finance costs	(482)	(163)	-	-	(645)
Interest income	1,080	52	121	-	1,253
Depreciation	(7,313)	(2,772)	-	-	(10,085)
Profit before tax	<u>70,726</u>	<u>16,714</u>	<u>(333)</u>	<u>-</u>	<u>87,107</u>
Segment assets	<u>595,125</u>	<u>136,775</u>	<u>71,664</u>	<u>-</u>	<u>803,563</u>
Segment liabilities	<u>92,399</u>	<u>29,362</u>	<u>47,833</u>	<u>-</u>	<u>169,593</u>
	Fastener Products RM'000	Wire Products RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
9 months ended 31 March 2021					
Revenue					
External revenue	253,821	107,489	-	-	361,310
Inter-segment revenue	-	-	22,393	(22,393)	-
Total revenue	<u>253,821</u>	<u>107,489</u>	<u>22,393</u>	<u>(22,393)</u>	<u>361,310</u>
Results					
Segment profit	21,513	12,593	21,953	(22,393)	33,666
Finance costs	(311)	(257)	-	-	(568)
Interest income	804	54	167	-	1,025
Depreciation	(6,951)	(2,871)	-	-	(9,822)
Profit before tax	<u>15,055</u>	<u>9,519</u>	<u>22,120</u>	<u>(22,393)</u>	<u>24,301</u>
Segment assets	<u>562,374</u>	<u>139,059</u>	<u>352,582</u>	<u>(352,019)</u>	<u>701,996</u>
Segment liabilities	<u>173,368</u>	<u>47,904</u>	<u>4,590</u>	<u>(96,116)</u>	<u>129,746</u>

(ii) Analysis by geographical segments

	Revenue 9 months		Non-current Assets*	
	ended 31.03.22 RM'000	ended 31.03.21 RM'000	as at 31.03.22 RM'000	as at 31.03.21 RM'000
Malaysia	139,625	118,705	154,727	126,556
Vietnam	2,197	2,233	66,281	64,485
Other Asian countries	18,469	34,999	-	-
European countries	187,700	87,607	-	-
North America	93,409	112,609	-	-
Others	19,568	5,157	-	-
	<u>460,968</u>	<u>361,310</u>	<u>221,008</u>	<u>191,041</u>

* 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

There were no other material events subsequent to the end of current reporting quarter ended 31 March 2022 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

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 Development 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.

Upon the completion of the Settlement Agreement NBH Realty Sdn Bhd (NBHR) and Jadi Raya Development Sdn Bhd (Jadi Raya) had become the 45% owned subsidiaries of the Company pursuant to Section 4(1) of the Companies Act 2016 as the Company controls the composition of the Board of Directors of NBHR and Jadi Raya.

The principal activity of NBHR and Jadi Raya is property investment.

The net profit from NBHR and Jadi Raya since the acquisition date is not significant to the Group's net profit for the current financial period to date.

The fair value of the net assets arising from the acquisition are as below:

	RM
Investment properties	62,080,570
Cash and banks	10,318
Deferred tax liabilities	(436,422)
Amount due to shareholders	(31,856,709)
Payables	<u>(25,929,017)</u>
Total identified net assets	3,868,740
Less: Non-controlling Interest	<u>(2,083,146)</u>
Cost of investment	<u><u>1,785,594</u></u>

Save as disclosed above, there is no other change in the composition of the Group during the current reporting period.

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

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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 3 months ended		Changes		Cumulative Quarter 9 months ended		Changes	
	31.03.22 RM'000	31.03.21 RM'000	RM'000	%	31.03.22 RM'000	31.03.21 RM'000	RM'000	%
Revenue - Business Segments								
-- Fasteners Products	129,103	96,369	32,734	34.0%	331,149	253,821	77,328	30.5%
-- Wire Products	38,537	38,945	(408)	-1.0%	129,819	107,489	22,330	20.8%
	<u>167,640</u>	<u>135,314</u>	<u>32,326</u>	<u>23.9%</u>	<u>460,968</u>	<u>361,310</u>	<u>99,658</u>	<u>27.6%</u>
Profit/(Loss) before interest & tax								
-- Fasteners Products	34,530	5,854	28,676	489.9%	71,208	15,367	55,841	363.4%
-- Wire Products	3,405	3,609	(204)	-5.7%	16,877	9,775	7,102	72.7%
-- Investment Holding	(171)	1	(172)	-17150.0%	(333)	(273)	(60)	-21.8%
	<u>37,764</u>	<u>9,464</u>	<u>28,300</u>	<u>299.0%</u>	<u>87,752</u>	<u>24,869</u>	<u>62,883</u>	<u>252.9%</u>
Profit/(Loss) before tax								
-- Fasteners Products	34,403	5,782	28,621	495.0%	70,726	15,055	55,671	369.8%
-- Wire Products	3,371	3,491	(120)	-3.4%	16,714	9,519	7,195	75.6%
-- Investment Holding	(171)	1	(172)	-17150.0%	(333)	(273)	(60)	-21.8%
	<u>37,603</u>	<u>9,274</u>	<u>28,329</u>	<u>305.5%</u>	<u>87,107</u>	<u>24,301</u>	<u>62,806</u>	<u>258.5%</u>
Profit/(Loss) after tax attributable to ordinary equity holders of the parent								
-- Fasteners Products	27,583	4,724	22,859	483.9%	56,012	11,348	44,664	393.6%
-- Wire Products	2,561	2,653	(92)	-3.5%	12,702	7,210	5,492	76.2%
-- Investment Holding	(171)	1	(172)	-17150.0%	(333)	(273)	(60)	-21.8%
	<u>29,973</u>	<u>7,378</u>	<u>22,595</u>	<u>306.3%</u>	<u>68,381</u>	<u>18,285</u>	<u>50,096</u>	<u>274.0%</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 RM460.97 million and RM87.11 million respectively. Total revenue of the Group increased by 27.6% in the current reporting period. The profit before tax of the Group increased by RM62.81 million to RM87.11 million as compared to RM 24.3 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 RM631.9 million as at 31.03.2022 as compared to RM580.43 million as at 30.6.2021 after recognition of the profit after tax and declaration of dividend of RM 68.38 million and RM20.63 million respectively. In addition the equity of the Group increased by RM 3.72 million arising from the foreign exchange gain from translation of its foreign subsidiary accounts in the current reporting period.

The cash generated from operating activities increased in line with the higher revenue recorded 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. The Group had also repaid some of its bank borrowing amounting to RM24.61mil during the current reporting period. As at the closing date, the bank balance of the Group stood at RM97.47 million which was an increase by RM6.97 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 RM129.10 million in the current reporting quarter which represented an increase of 34.0% as compared to the preceding year corresponding period. The rebound of demand from the European market had boosted the Group total revenue. The profit before tax of the division in the current reporting quarter improved by RM28.62 million as compared to the preceding year corresponding period. The division's improved performance in the current reporting quarter is mainly contributed by the recovery of the global market resulting from the uplift of the economy lockdown by the respective countries coupled with the increase of wire rod price which had led to higher average selling price and better profit margin for the division.

Wire Products

There is no significant variation in the performance of the Wire division in the current quarter as compared to the corresponding quarter in the preceding year. The division recorded total sales of RM38.54 mil which represents a slight drop of 1% in its total sales and the profit before tax of the division dropped accordingly by 3.4% to RM3.37mil in the current quarter.

Cumulative Quarter

The Group recorded a total revenue of RM 460.97 million and a profit before tax of RM87.11 million in the current financial period to date.

Fasteners Products Division

The division recorded a total revenue of RM331.15 million in the current reporting period which represents an increase of 30.5% as compared to the preceding reporting period. In line with the higher revenue, the profit before tax of the division improved by RM55.67 mil to RM70.73 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. In addition there is a reversal of provision for impairment loss in trade debtor for RM0.36mil as compared to RM2.52mil provision which had been made in the corresponding period in the last financial year. Other income increased by the reversal of the unwinding interest which had been provided in the last financial year.

Wire Products Division

The Wire Products Division recorded a higher revenue of RM129.82 million and profit before tax of RM16.71 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 31.03.22 RM'000	3 months ended 31.12.21 RM'000	Changes	
			RM'000	%
Revenue - Business Segments				
-- Fasteners Products	129,103	96,840	32,263	33.32%
-- Wire Products	38,537	50,073	(11,536)	-23.04%
	<u>167,640</u>	<u>146,913</u>	20,727	14.11%
Profit/(Loss) before interest & tax				
-- Fasteners Products	34,530	20,321	14,209	69.92%
-- Wire Products	3,405	7,572	(4,167)	-55.04%
-- Investment Holding	(171)	(179)	9	4.75%
	<u>37,764</u>	<u>27,714</u>	10,050	36.26%
Profit/(Loss) before tax				
-- Fasteners Products	34,403	20,059	14,344	71.51%
-- Wire Products	3,371	7,503	(4,132)	-55.08%
-- Investment Holding	(171)	(179)	9	4.75%
	<u>37,603</u>	<u>27,383</u>	10,220	37.32%
Profit/(Loss) after tax attributable to ordinary equity holders of the parent				
-- Fasteners Products	27,583	15,623	11,960	76.55%
-- Wire Products	2,561	5,703	(3,142)	-55.10%
-- Investment Holding	(171)	(179)	9	4.75%
	<u>29,973</u>	<u>21,147</u>	8,826	41.74%

The Group recorded a total revenue of RM167.64 million and profit before tax of RM37.60 million for the current quarter under review.

Fasteners Products

The revenue of the Fastener Products Division is RM129.10 million in the current quarter as compared to RM96.84 mil in the immediate preceding quarter. The increase is mainly due to the resumption of economic activities after the uplift of the lockdown in Vietnam. This had contributed to the better result of the division where its profit before tax increased by 71.51% to RM34.40 mil in the current quarter. In addition, the selling and distribution cost reduced in the current quarter as the division managed to transfer partially the increased shipping cost to its customers.

Wire Products

The Wire Products Division posted a lower revenue of RM38.54mil in the current reporting quarter representing a decline of 23.04% as compared to the RM50.07million in the immediate preceding quarter. The profit before tax of the division reduced accordingly to RM3.37mil in the current quarter. Local demand dropped in the current quarter mainly due to less infrastructure project activities during the current reporting quarter.

B3. Prospects of the Remaining Quarter

The market outlook for the Group in the remaining quarter 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 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 cautiously optimistic 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	3,398	10,085
Impairment loss charge on receivables	65	(316)
Interest expense	161	645
Interest income	(478)	(1,253)
Unwinding interest	(2,356)	(2,618)
Unrealised loss/(gain) on foreign exchange	(110)	32
Realised gain on foreign exchange	(1,197)	(1,975)
Rental income	(107)	(322)

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 3 months ended		Cumulative Quarter 9 months ended	
	31.03.22 RM'000	31.03.21 RM'000	31.03.22 RM'000	31.03.21 RM'000
- Current tax	(8,254)	(1,966)	(19,350)	(6,086)
- Deferred tax liabilities	624	70	624	70
	<u>(7,630)</u>	<u>(1,896)</u>	<u>(18,726)</u>	<u>(6,016)</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.

B8. Borrowings and Debt Securities

The Group's borrowings :

As as 31.03.2022	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000
Secured:			
Short term			
Bankers acceptance	-	-	-
Overdraft	-	-	-
Onshore foreign currency loans	45,161		45,161
Short term loans	19,907	-	19,907
	<u>65,068</u>	<u>-</u>	<u>65,068</u>
			-
As as 31.03.2021			
Secured:			
Bankers acceptance	-	-	-
Overdraft	-	7,775	7,775
Onshore foreign currency loans	48,585	-	48,585
Short term loans	16,718	-	16,718
	<u>65,303</u>	<u>7,775</u>	<u>73,078</u>

a. The total borrowings as at the end of the reporting period reduced to RM65.07 million as compared to RM73.08 million as of 31.03.2021. The Group had repaid some of its bank borrowings during the current reporting quarter following the higher cash generated from its higher revenue. The higher interest expenses recorded in the current reporting period is due to higher bank borrowing which was drawdown earlier in the current financial year to finance the purchase of the raw material coupled with the increase in interest rate.

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

	31.03.22 %	31.03.21 %
Borrowings denominated in RM		
- Bankers acceptance	-	2.04
Borrowings denominated in USD		
- Onshore foreign currency loans	0.44	0.46
- Short term loans	1.16	2.19

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 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:-

- (i) On 28 February 2022, CWSC discontinued the Novamas Claim with no order as to costs; and
- (ii) On 21 March 2022, CWSC withdrew the Lifomax Claim with no order as to costs.

- 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, on 28 February 2022 CWSC discontinued the NHJ Claim with no order as to costs and without liberty to file a fresh.

B10. Proposed Dividend

a. The dividend declared in the corresponding quarter and 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	RM15,468,662	RM4,363,021

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 31.03.22	31.03.21	9 months ended 31.03.22	31.03.21
Profit after tax Attributable to owners of the Company (RM'000)	29,974	7,378	68,382	18,285
Weighted average number of ordinary shares ('000)	286,461	286,965	286,461	286,965
Basic Earnings Per Share (sen)	10.46	2.57	23.87	6.37

(ii) Diluted Earnings Per Share

Diluted Earnings Per Share (sen)	10.46	2.57	23.87	6.37
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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.