Chin Well Holdings Berhad
24th AGM on 25 November 2020
Question & Answer Report

1. **Shareholder Name : Lew Tuck Wai**

Question:

i. Please elaborate on the nature of the suit filed in particular the reason(s) for the evidence of delivery order when the recipient of the product, NBH Service Centre Sdn Bhd claimed non-delivery.

Answer:

As per our announcement dated 23 Nov 2020, our payment made to the two suppliers (Lifomax Woodbuild Sdn Bhd and Novamas Enterprise Sdn Bhd) were based on the suppliers' invoice and delivery order acknowledged receipt by NBH Service Centre Sdn Bhd (NBHSC) evidencing the delivery of goods to NBHSC. We will only be able to provide you with further information as the Defence is filed and as the trial proceeds.

Question:

ii. Why is the litigation only commenced despite having orders made and delivered to NBH way back in 2019?

Answer:

The claim filed is in respect of invoices that were not paid since July 2020.

Question:

iii. In respect of Trade Receivables, the Company reported an allowance for expected credit losses amounting to RM16.753 Million. Can the Board/Management provide details on the nature of this expected credit losses and what are the steps taken to recover the amount owing?

Answer:

The provision for allowance for expected credit losses amounting to RM16.753 million is mainly for amount owing by NBHSC. Legal actions has been initiated against the relevant parties to recover the debts.

Question:

iv. On page 111 of the Annual Report, it is shown that 58% of the outstanding trade receivables are due from 3 major customers which is an increase from 44% in FY2019. In view of the current weak business environment due to COVID-19, what are the steps taken to management to ensure that the trade receivables will not result in further provisions in FY2021?

Answer:

The 3 major customers as disclosed in Note 32.3.1 to the audited accounts, includes of the amount owing by NBHSC where legal action had been initiated to recover the debts. The other 2 customers are our long-term customers which debts are recoverable. In view of the current unstable business environment, we are tightening our credit control policy to balance the credit risk and while ensuring the sustainable growth of the Group.

Question:

v. The inventories shown on page 89 of the annual report remains high at RM262.6 million in particular Finished goods at RM112.944 million despite the substantial drop in revenue for FY2020. What are the steps taken by management to reduce the inventories and to improve working capital? Will there be further inventories to be written down in FY2021?

Answer:

The finished goods remained high as at 30 June 2020 as some of our shipments were delayed or cancelled following the outbreak of Covid-19 in March 2020. Our inventories came down to RM250,356 million as at 30 September 2020 as reported in our 1st Quarterly Report FY2021. For your information, our indirect material stock increased is due to the purchases of moulds which are required for the production of products for the US market. We write down our inventory in accordance with our group policy, we will review and revise the policy whenever it is necessary.

2. **Shareholder Name : Gor Ching Ruey**

Question:

i. Refer to Material Litigation submitted to Bursa at Nov 23, 2020, any impairment will be incurred? Could elaborate more in the case?

Answer:

Provision of impairment will be made in accordance with the approved accounting standard. Kindly refer to answer in (1) above for more details of the case.

ii. Could company foresee any benefits from RCEP?

Answer:

Yes, we expect RCEP will be a good opportunity for our export market.

3. **Shareholder Name : Chen Leong Chow**

Question:

i. Any new business plan or diversification on the table in coming financial year?

Answer:

We will concentrate on our DIY sector as we foresee the demand from Europe market will bounce back very soon.

4. **Shareholder Name : LEONG WAI HONG**

Question:

i. Chairman, what is the impact of the recent second wave of the spread of virus on the outlook of the company?

Answer:

Production in the factory had not been affected by the recent CMCO in Penang. Furthermore, fasteners are essential products in both US and Europe, therefore our export sales are not significantly affected.

Question:

ii. Do you know the financial status of the two companies, LIFOMAX WOODBUILD SDN. BHD. AND (2) NOVAMAS ENTERPRISE SDN. BHD? Can they afford to pay?

Answer:

As far as we are aware, both Defendant Companies are still carrying on business and normal trading. Please note that we have been advised to proceed against other parties to recover the debt. Our shareholders will be updated with appropriate information from time to time.

5. **Shareholder Name : Wai San Chan**

Question:

i. Is there provision or impairment foreseeable in the coming 6 months?

Answer:

Provision for impairment will be made in accordance with the approved accounting standard.

6. **Shareholder Name : Mark Goh**

Question:

i. Does the trade tensions between US and China result in a favorable or unfavorable for Chinwell's business in 2021?

Answer:

Trade tensions between US and China brought advantage and disadvantage to us. Some of our customers in Europe choose to buy from China due to China dump their products to Europe with cheaper price when US imposed high duty on their products. However, we benefited from the trade substitution opportunities where we shifted our export to US market and our export there is not affected by Covid-19 pandemic. We expect the export to US will continue in FY2021.

Question:

ii. Do you expect Malaysia impose any anti-dumping duty on steel raw materials in 2021?

Answer:
No, we don’t expect Malaysia will impose any anti-dumping duty on steel in 2021.

Question:

iii. Does Chinwell large working capital provided to customers seen as an impediment to capital growth? Does it make sense to cut working capital to fund growth?

Answer:
We will be focused in our core business expansion instead of put fund in investment avenues. It is always our Group primary objective to maintain strong capital base to support business operations. Furthermore, our group average trade debtor collection period in the last three years was within the normal trading period of 90 days.

Q**uestion:**

iv. Chinwell completed the construction of an automated warehouse how does it contribute to the business?

Answer:
We plan to start a new business segment by providing a one stop warehousing service as we foresee the potential opportunities in logistic and online business industry. We intend to offer storage and other value added service such as packing, labeling etc. to the tenants who rent and keep their stock in our warehouse. However, we don’t expect this warehousing service will bring significant impact to our group financial performance in FY2021.

7. Shareholder : Chen Leong Chow

Question:
i. Is the Vietnam business will take higher portion in future of overall Chinwel operation?

Answer:
Yes, in fact our subsidiary in Vietnam is the biggest revenue contributor to the group in FY2020.

8. Shareholder: TAN CHEE YOONG

Question:

i. May we know how Chinwell would handle to avoid the Top Glove case happen recently? To avoid factory close down.

Answer:

SOP is strictly followed in our factories and staff hostel and there is no Coivd-19 case reported among our workforce.

9. Shareholder : DANNY WONG

Question:

i. May I know Chinwell how to improve on profit margin?

Answer:

The selling price of our product will be affected by the global wire rod price, when the wire rod price dropped our product price will be reduced. In addition we have to reduce our selling price in FY2020 as the market was very competitive resulted from the trade war between US and China. We foresee our profit margin will be better in the second half of FY2021 as the wire rod price is increasing and our customers in Europe had started to replenish their inventory.

10. Shareholder : Kin Khuen Lee

Question:

i. How is Chinwell going to recover loss of market in Europe which have been declining from RM280m to RM96m in the last 6 years?

Answer:

Our export to Europe has been declining for the past few years mainly due to the reasons below:

1. Removal of Anti-dumping Duty for goods from China to Europe
2. Brexit issues
3. Slowdown of the construction sector and industrial sector in Europe
4. The US and China Trade war that stopped China from export to the US and therefore diverted their goods to Europe.
5. Political issues.

With the reasons above, a lot of our Europe customers' revenues dropped and at the same time, they made change to their purchasing policy and bought lesser from Chin Well as compared with before.

We noticed that China had been emphasizing in their local infrastructure expansion for the past one to two years, and their export reduced due to the fact that their local price is better than their export price. As a result the manufacturers in China prefer to supply to their local market.

In addition, since the trade war between the US and China begins, China had dumped their goods to Europe with cheap price, and the manufacturers in Europe were badly affected and started to request for imposing the anti-dumping duty on China goods again.

Recently we had received more orders from Europe and we expect the demand from Europe will increase further in the second half of FY2021.

At the same time, we are trying to increase our sales to the US as well as our DIY sector. This is to mitigate the bad impact on us when the economic situation goes slow.