



Chin Well
HOLDINGS BERHAD
199501042347 (371551-T)

PURSUING
EXCELLENCE,
EXCELLENCE,
SOARING
AHEAD
AHEAD



ANNUAL REPORT
2022

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26TH ANNUAL GENERAL MEETING



No. 1586, MK. 11, Lorong
Perusahaan Utama 1, Bukit
Tengah Industrial Park, 14000
Bukit Mertajam, Penang



29 November 2022 (Tuesday)



11.00 am

Corporate Information

BOARD OF DIRECTORS

Lim Chien Ch'eng

(Non-Independent Non-Executive Chairman)

Tsai Yung Chuan

(Managing Director)

Tsai Chang Hsiu-Hsiang

(Executive Director)

Tsai Chia Ling

(Executive Director)

Tsai Cheng Hsun

(Executive Director)

Ang Seng Oo

(Independent Non-Executive Director)

Low Yeaw Seng

(Independent Non-Executive Director)

Datin Sharmin Fazlina Binti Mohd Shukor

(Independent Non-Executive Director)

SECRETARIES

Lee Peng Loon (MACS 01258)
SSM PC No. 201908002340

P'ng Chiew Keem (MAICSA
7026443)
SSM PC No. 201908002334

AUDIT COMMITTEE

Ang Seng Oo (Chairman)
Independent Non-Executive
Director

Datin Sharmin Fazlina Binti Mohd
Shukor (Member)
Independent Non-Executive
Director

Low Yeaw Seng (Member)
Independent Non-Executive
Director

REGISTERED OFFICE

51-21-A Menara BHL
Jalan Sultan Ahmad Shah
10050 Georgetown
Penang

Tel : 04-210 8833
Fax: 04-210 8831

BUSINESS ADDRESS

No. 1586 MK11
Lorong Perusahaan Utama 1
Bukit Tengah Industrial Park
14000 Bukit Mertajam
Penang

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
Lot 10 The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel : 03-7784 3922
Fax: 03-7784 1988

AUDITORS

Grant Thornton Malaysia PLT
(201906003682 & AF : 0737)
Chartered Accountants

PRINCIPAL BANKERS

CTBC Bank Co., Ltd
(Ho Chi Minh City Branch)
Citibank Berhad
Far East National Bank
Hong Leong Asset Management
Bhd.
Hong Leong Bank Berhad
Joint Stock Commercial Bank for
Foreign Trade of Vietnam
Malayan Banking Berhad
Mega International Commercial
Bank (Ho Chi Minh City Branch)
OCBC Al-Amin Bank Berhad
Saigon Thuong Tin Commercial
Joint Stock Bank
Standard Chartered Bank Malaysia
Berhad
United Overseas Bank (Malaysia)
Bhd.
Vietnam International and
Commercial Joint Stock

SOLICITOR

Ghazi & Lim

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : CHINWEL
Stock Code : 5007

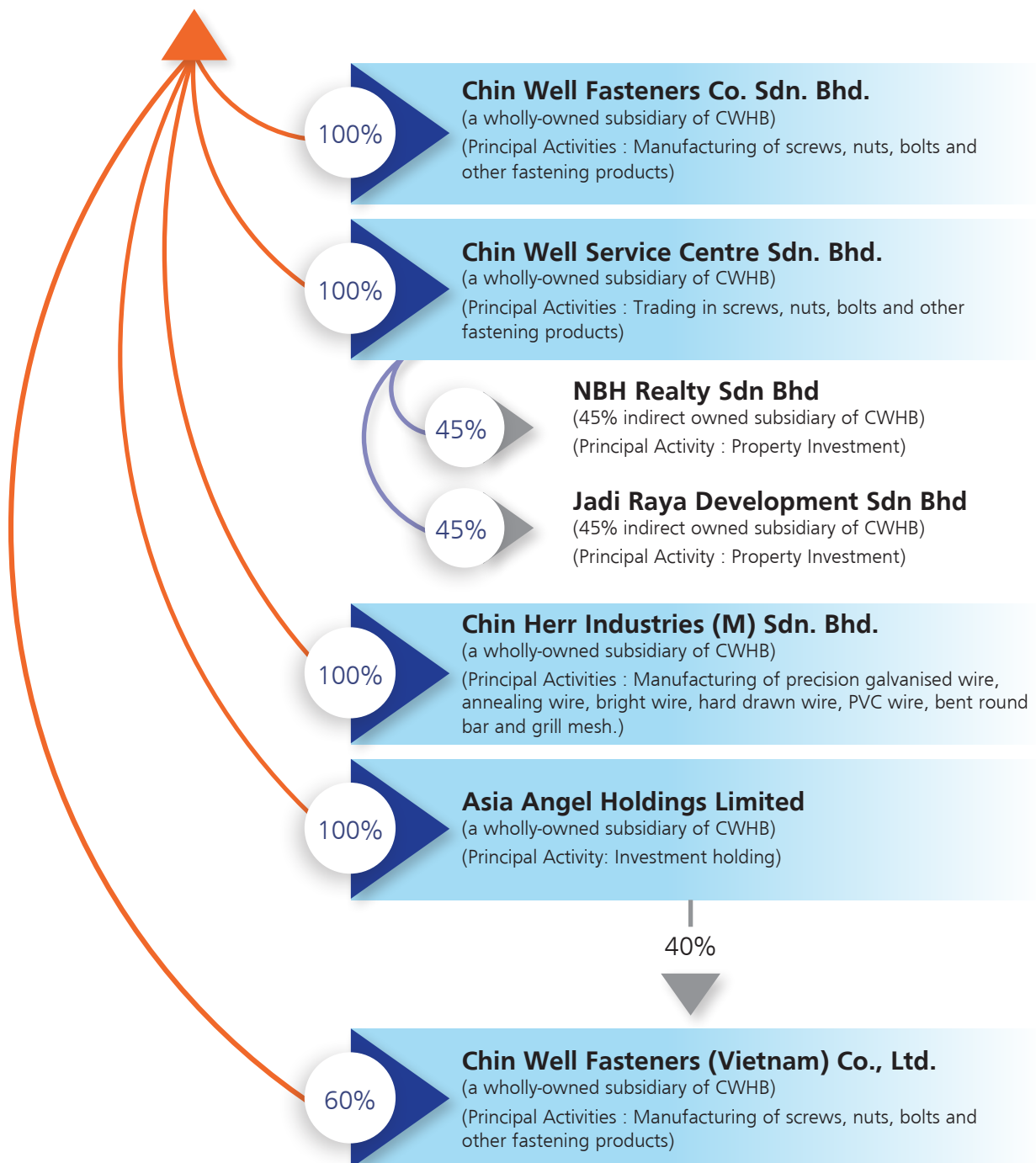
Corporate Structure

AS OF 30 JUNE 2022



Chin Well
HOLDINGS BERHAD
199501042347(371551-T)

CHIN WELL
HOLDINGS BERHAD ("CWHB")
(Principal Activity : Investment holding)



Notice Of Annual General Meeting



Chin Well
HOLDINGS BERHAD
199501042347 (371551-T)

(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN THAT the 26th Annual General Meeting (“**AGM**”) of Chin Well Holdings Berhad (“**Chin Well**” or “**Company**”) will be held at the Conference Room of Chin Well Holdings Berhad at No. 1586, MK. 11, Lorong Perusahaan Utama 1, Bukit Tengah Industrial Park, 14000 Bukit Mertajam, Penang on Tuesday, 29 November 2022 at 11.00 am, for the following purposes:-

A G E N D A

As Ordinary Business :

- | | | |
|----|---|------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2022 together with the Reports of the Directors and Auditors thereon. | Please refer to Note 8 |
| 2. | To re-elect Datin Sharmin Fazlina Binti Mohd Shukor, a Director who retires by rotation in accordance with Article 111 of the Company’s Constitution and who, being eligible, offers herself for re-election. | Ordinary Resolution 1 |
| 3. | To re-elect Mr. Low Yeaw Seng, a Director who retires by rotation in accordance with Article 111 of the Company’s Constitution and who, being eligible, offers himself for re-election. | Ordinary Resolution 2 |
| 4. | To re-elect Ms. Tsai Chia Ling, a Director who retires in accordance with Article 118 of the Company’s Constitution and who, being eligible, offers herself for re-election. | Ordinary Resolution 3 |
| 5. | To re-elect Mr. Tsai Cheng Hsun, a Director who retires in accordance with Article 118 of the Company’s Constitution and who, being eligible, offers himself for re-election. | Ordinary Resolution 4 |
| 6. | To approve the payment of Directors’ fees amounting to RM270,000.00 for the financial year ended 30 June 2022. | Ordinary Resolution 5 |
| 7. | To approve the payment of Directors’ Benefits up to an amount not exceeding RM80,000.00 for the financial year ending 30 June 2023. | Ordinary Resolution 6 |
| 8. | To re-appoint Messrs. Grant Thornton Malaysia PLT as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 7 |

Notice Of Annual General Meeting (cont'd)

As Special Business :

To consider and if thought fit, to pass with or without modifications, the following ordinary resolutions:

9. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 8**
- "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company.
- THAT pursuant to Section 85 of the Companies Act, 2016 to be read together with Article 62 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016.
- AND THAT the Directors of the Company be also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and to do all such acts and things necessary to give full effect to such transactions as authorised by this resolution.
- AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company."
10. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY** **Ordinary Resolution 9**
- "THAT, subject to the Companies Act, 2016 ("the Act"), the Company's Constitution and the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Directors of the Company be hereby authorised to purchase such number of ordinary shares ("CWHB Shares") comprised in the total number of issued shares of the Company as may be determined by the Directors from time to time through Bursa Securities subject further to the following:
- (a) the aggregate number of CWHB Shares which may be purchased or held by the Company shall not exceed 10% of the total number of issued shares of the Company ("Proposed Share Buy-Back"), subject to the restriction that the issued shares of the Company does not fall below the minimum share capital requirements of the Main LR of Bursa Securities that the Company continues to maintain a shareholding spread that is in compliance with the Main LR after the share purchase;
 - (b) the maximum funds to be allocated by the Company for the purpose of purchasing the CWHB Shares under the Proposed Share Buy-Back shall not exceed the retained profits of the Company;
 - (c) the authority conferred by this resolution to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this ordinary resolution and will continue to be in force until;

Notice Of Annual General Meeting (cont'd)

As Special Business : (cont'd)

10. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (CONT'D)

- (i) the conclusion of the next AGM of the Company at which such resolution was passed at the which time the authority would lapse unless by ordinary resolution passed at the next AGM, the authority is renewed, either conditionally or subject to conditions; or
- (ii) the expiration of the period within the next AGM of the Company after that date is required by law to be held; or
- (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company of the CWHB Shares before the aforesaid expiry date and, made in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities; and
- (d) upon completion of the purchase(s) of the CWHB Shares by the Company, the Directors of the Company be and are hereby authorised to retain the CWHB Shares so purchased as treasury shares, which may be distributed as dividends to shareholders, cancel and/or resold on Bursa Securities, in the manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Main LR of Bursa Securities and any other relevant authority for the time being in force,

AND THAT, the Directors of the Company be hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to effect the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, resolutions, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company to give full effect to and to complete the purchase of CWHB Shares.

11. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Ordinary Resolution 10

"THAT, subject always to the provisions of the Companies Act, 2016, the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and/or any other regulatory authorities, the authority be and is hereby given for Company's subsidiaries to enter into recurrent related party transactions of a revenue or trading nature ("Proposed Renewal of Shareholders' Mandate") as set out in Section 2.4 of the Circular to Shareholders dated 31 October 2022 in relation to the Proposed Renewal of Shareholders' Mandate provided that such transactions are in the ordinary course of business which are necessary for the day-to-day operations on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and that such authority shall continue to be in force until :

- (a) the conclusion of the next AGM of the Company following the AGM at which the Proposed Renewal of Shareholders' Mandate is passed, at which time it will lapse unless by an ordinary resolution passed at the AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier:

AND THAT, the Directors of the Company and the subsidiary companies be and are hereby authorised to complete and do all such acts including executing any documents as may be required to give full effect to such transactions as authorised by this resolution."

Notice Of Annual General Meeting (cont'd)

As Special Business : (cont'd)

12. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board,

LEE PENG LOON (MACS 01258)
SSM PC NO. 201908002340
P'NG CHIEW KEEM (MAICSA 7026443)
SSM PC NO. 201908002334
Company Secretaries

Penang

Date : 31 October 2022

NOTES ON APPOINTMENT OF PROXY

1. For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 21 November 2022. Only a depositor whose name appears on the Record of Depositors as at 21 November 2022 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.
2. A proxy may but need not be a member of the Company.
3. For a proxy to be valid, the original proxy form duly completed must be deposited at the registered office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof, or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll. The instrument appointing a proxy transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the registered office not less than 24 hours before the time appointed for meeting.
4. A member shall be entitled to appoint of up to a maximum of 2 proxies to attend and vote instead of him at the same meeting and where a member appoints 2 proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of 2 proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
6. Where a member is an Exempt Authorized Nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds. An Exempt Authorised Nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA.
7. In the case of a corporate member, the proxy form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

Notice Of Annual General Meeting (cont'd)

NOTES ON ORDINARY BUSINESS

8. The Audited Financial Statements will be laid to shareholders at the AGM pursuant to Section 340(1)(a) of the Companies Act 2016. Hence, the Agenda 1 is not put forward for voting.
9. The Ordinary Resolution 5 and 6, if passed, will enable the Company to pay fees and benefits to the Directors of the Company in accordance with Section 230(1) of the Companies Act 2016.

NOTES ON SPECIAL BUSINESS

10. The Ordinary Resolution 8, if passed, will enable the Directors to allot and issue new shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

11. The Ordinary Resolution 9, if passed, will enable the Directors of the Company to purchase the Company's shares up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM. Further information on the Proposed Share Buy-Back Renewal is set out in Share Buy-Back Statement dated 31 October 2022, a copy of which can be downloaded from the Company's website (www.chinwell.com.my).
12. The Ordinary Resolution 10, if passed, will enable the Company's subsidiaries to enter into recurrent transactions involving the interests of the related parties which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of minority shareholders of the Company. Further information of the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders dated 31 October 2022, a copy of which can be downloaded from the Company's website (www.chinwell.com.my)

Statement Accompanying Notice Of Annual General Meeting

(PURSUANT TO PARAGRAPH 8.27(2) OF MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES)

- 1) No individuals are standing for election as Directors at the forthcoming 26th Annual General Meeting of the Company.
- 2) The profiles of the Directors who are standing for re-election as Directors as in Agenda 2, 3, 4 and 5 of the Notice of the 26th Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.
- 3) The details of the Directors' interests in the securities of the Company as at 30 September 2022 are set out in the Analysis of Shareholdings section of this Annual Report.
- 4) The Resolution 8 tabled under Special Business as per the Notice of 26th Annual General Meeting of the Company dated 31 October 2022 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 28 January 2022.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of notice of meeting, the Directors have not issued any shares pursuant to the general mandate granted at the last Annual General Meeting of the Company.

Management Discussion & Analysis

This Statement contains the management discussion and analysis (“MD&A”) of the business operations and performance (including financial performance) of Chin Well Holdings Berhad (“CWHB”) Group (“Chin Well Group” or “the Group”) for the financial year ended 30 June 2022 (“FY2022”).

This MD&A should be read in conjunction with the Audited Financial Statements of the Group for FY2022 as set out in this Annual Report.

This MD&A contains forward-looking statements that reflect our current views in respect to future events. Our actual results may differ from those anticipated in these forward-looking statements as the result of risks and uncertainties.

Company’s Profile

Chin Well Group was founded by our Group Managing Director, Mr. Tsai Yung Chuan in 1989. The Group was listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as KLSE) in 1999 under the umbrella of CWHB. Today, Chin Well Group is one of the world’s largest suppliers of carbon steel fasteners such as bolts, nuts, screw etc.

The Group has production facilities in Penang, Malaysia and Dong Nai Province, Vietnam and we manufacture a wide range of fasteners for use in power, infrastructure and furniture sectors. One of the subsidiaries is involved in trading of fastener products. We have established strong distribution networks in domestic and international markets, with our fasteners being sold to Europe (43%), Malaysia (28%), North America (21%), Asian countries (4%), Middle East and others.

Besides fasteners, the Group is also involved in the manufacturing of precision galvanised wire, PVC wire, and BRC wire and recently into gabion, fences and chicken meshes via our Wire Products division with our production facilities located in Penang.

Economy Overview

Malaysian economy registered a stronger growth of GDP by 8.9% in the second quarter of 2022 (1Q 2022: 5.0%) from the low base during the Full Movement Control Order (FMCO) in the second half of 2021. Domestic demand continued to strengthen, underpinned by the steady recovery in labour market conditions and on-going government policy support. The higher growth was also reflective of normalising economic activity as the country moved towards endemic phase as well as reopening of international borders. Exports remain supported by strong demand in electrical and electronic products whilst the services and manufacturing sectors continued to drive growth. Nevertheless, it is expected that external demand could face headwinds from slower global economy’s growth. Although the Malaysian economy is anticipated to continue to be supported by firm domestic demand, however, the growth remains susceptible to a weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions. We, being the manufacturer of fasteners hope the planned mega infrastructure projects will be crystallised in the foreseeable future to boost the local demand for fasteners.

The easing of coronavirus control measures following the successful mass vaccination program in the Europe has helped the Euro zone economy grew faster than expected in the second half of year 2021. The demand for fasteners from the European regions returned as the global industrial fasteners market recovered. In February 2022, the European Commission imposed the definitive anti-dumping duties up to 86.5% on certain type of fasteners manufactured in China which resulted in Chinese products losing its price competitiveness in the European market. Furthermore, the slowdown of China’s economy as a result of their zero-COVID policy and intermittent lock downs adopted by their government to combat COVID-19 had interrupted many productions and supplies to the international market. The Group had thus benefited from the economic recovery in Europe in 2021 as well as the reduction of exports from China to the region.

Management Discussion & Analysis (cont'd)

Economy Overview (cont'd)

However, the market conditions in Europe turned slow again since mid of 2022 after the Russia invaded Ukraine in February 2022. The continuing of the Ukraine-Russian war has severely affected lives and disruptions in trade dynamics. Many countries including of Europe face shortage of food and energy as Russia is one of the world's biggest wheat and energy suppliers. The disruption of supply chain has caused input shortage and price hike. The global inflation is expected to lead to tighter global financial conditions. Negative impacts are significantly foreseen globally, especially across Europe, Eastern and Central Asia, as well as the United States. The potential impacts of ongoing war and uncertainty are expected to have an adverse impact on the world economy including of fasteners industry in the forthcoming year.

Vision & Strategy

The Group strives to be a leading manufacturer of high quality carbon steel fasteners and wire products whilst delivering sustainable value to our shareholders, employees, business partners and stakeholders.

We adopt the following strategies in order to achieve the Group's vision:

- Enhancement of product quality with the aim of zero defects;
- Development of new products via product differentiation and product portfolio expansion;
- New distribution networks or market reach;
- Cost efficiency benefitting from computerised inventory and automated warehousing system;
- Providing one stop supply with wide range of products;-
- Develop competencies and skills that increase job efficiency and effectiveness resulting in higher productivity.

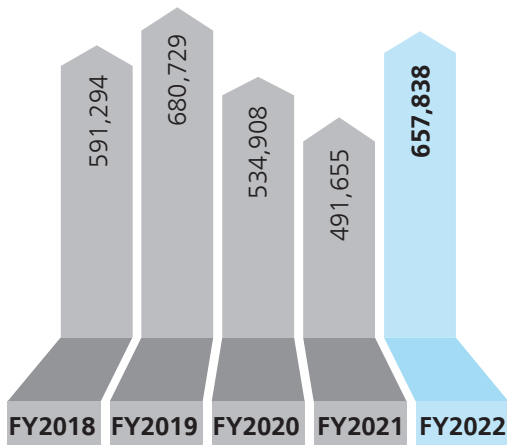
Highlights of the Group's Financial Information for Past 5 Financial Years

	FY2022 RM'000	FY2021 RM'000	FY2020 RM'000	FY2019 RM'000	FY2018 RM'000
Revenue	657,838	491,655	534,908	680,729	591,294
Profit before interest & tax	123,080	36,138	9,714	71,847	68,117
Finance cost	874	3,391	2,414	3,024	1,380
Net profit attributable to ordinary shareholders	95,957	23,393	2,417	57,578	55,885
Shareholders' equity	665,176	580,431	568,762	577,369	543,225
Total Assets	797,460	714,891	678,545	704,204	665,085
Borrowings	37,825	89,357	70,344	89,164	73,072
Debts/Equity ratio (%)	6%	15%	12%	15%	13%
Earnings per share (sen)	33.51	8.11	0.82	19.60	18.83
Net assets per share (RM)	2.32	2.01	1.94	1.97	1.85
Dividend per share (sen)	13.40	3.30	1.50	7.85	8.00

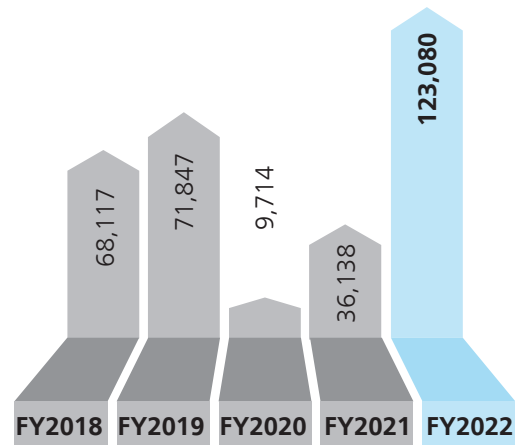
Management Discussion & Analysis (cont'd)

Highlights of the Group's Financial Information for Past 5 Financial Years (cont'd)

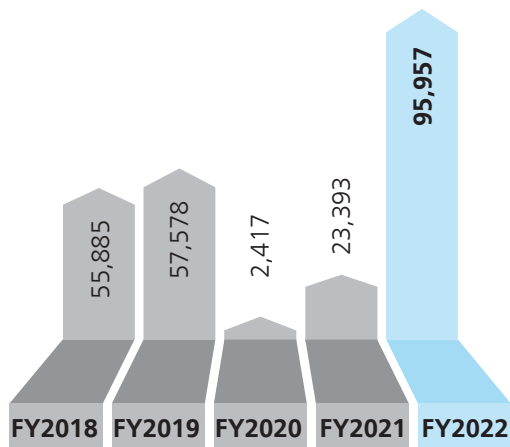
REVENUE (RM'000)



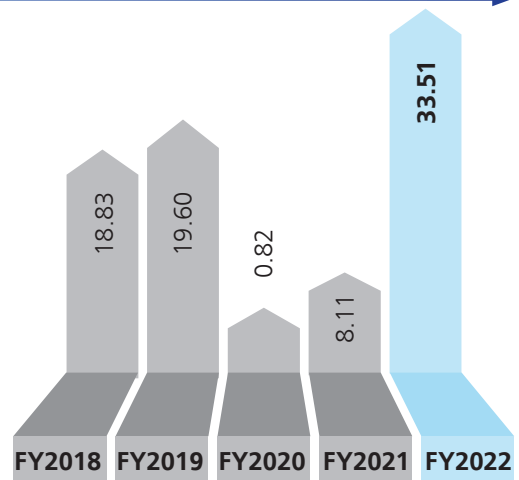
PROFIT BEFORE INTEREST & TAX (RM'000)



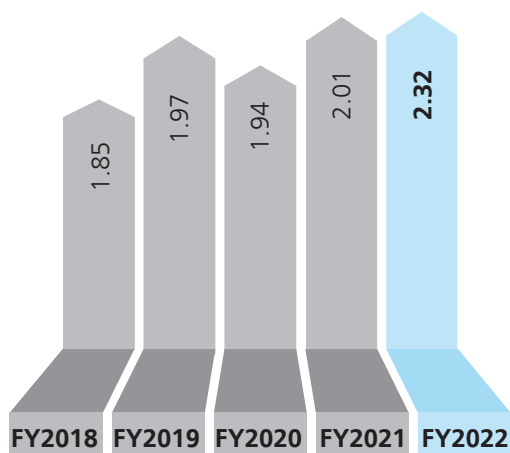
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RM'000)



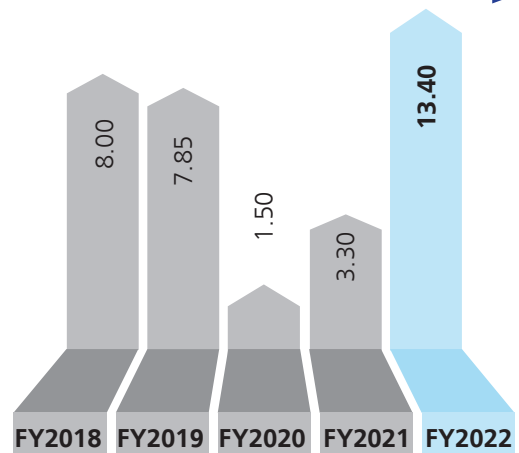
EARNINGS PER SHARE (SEN)



NET ASSETS PER SHARE (RM)



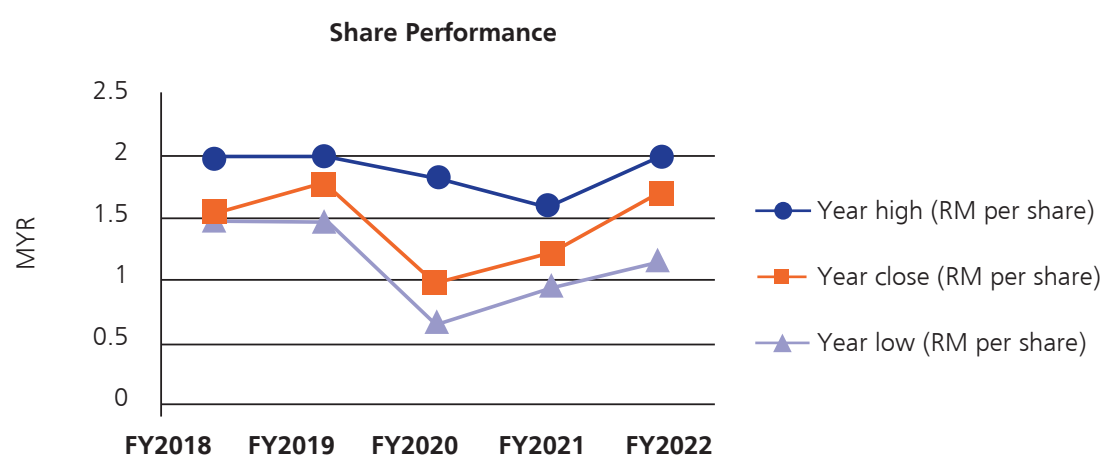
DIVIDEND PER SHARE (SEN)



Management Discussion & Analysis (cont'd)

Share Performance

Share performance	FY2022	FY2021	FY2020	FY2019	FY2018
Year high (RM per share)	1.98	1.58	1.83	2.00	1.94
Year low (RM per share)	1.16	0.94	0.68	1.49	1.50
Year close (RM per share)	1.70	1.24	1.01	1.80	1.54
Trading volume('000)	35,694.30	35,294.10	35,044.90	28,390.35	36,750.27
Market capitalization as of year end 30 June (RM'000)	486,970,726	360,943,844	292,271,546	528,566.16	452,955.69



Review of Financial Results and Financial Condition

Indicators to Measure the Group's Performance

The following key indicators were extracted from the Company's Audited Consolidated Statements of Profit or Loss to measure the Group's financial performance for FY2022 as compared with FY2021:

	FY2022 RM'000	FY2021 RM'000	Change %
Revenue	657,838	491,655	↑ 33.80%
Other Income	7,508	6,276	↑ 19.63%
Administrative expenses	23,855	27,538	↓ 13.37%
Selling and distribution expenses	15,882	15,123	↑ 5.02%
Finance cost	874	3,391	↓ 74.23%
Profit Before Tax	122,206	32,747	↑ 273.18%

The global economy environment in FY2022 started to turn around after the uplift of the COVID-19 control measures by most of the countries especially in the Western countries. The Group's revenue increased by 33.80% to RM657.84 million, when compared with the revenue of RM491.66 million recorded in FY2021. The profit before tax of the Group increased by RM89.46 million to RM122.21 million as compared to RM32.75 million in the immediate preceding year. The higher profit is in line with the higher revenue generated in the current financial year.

Management Discussion & Analysis (cont'd)

Review of Financial Results and Financial Condition (cont'd)

Indicators to Measure the Group's Performance (cont'd)

The Fasteners division mainly consists of manufacturing of screw, bolt, nuts, threaded bar and other fastening products while Wire division comprises of manufacturing of precision galvanised wire, annealing wire, bright wire, hard drawn wire, PVC wire and grill mesh. The Fasteners division had contributed about 74.98% to the Group's revenue whilst the remaining revenue was from the Wire division.

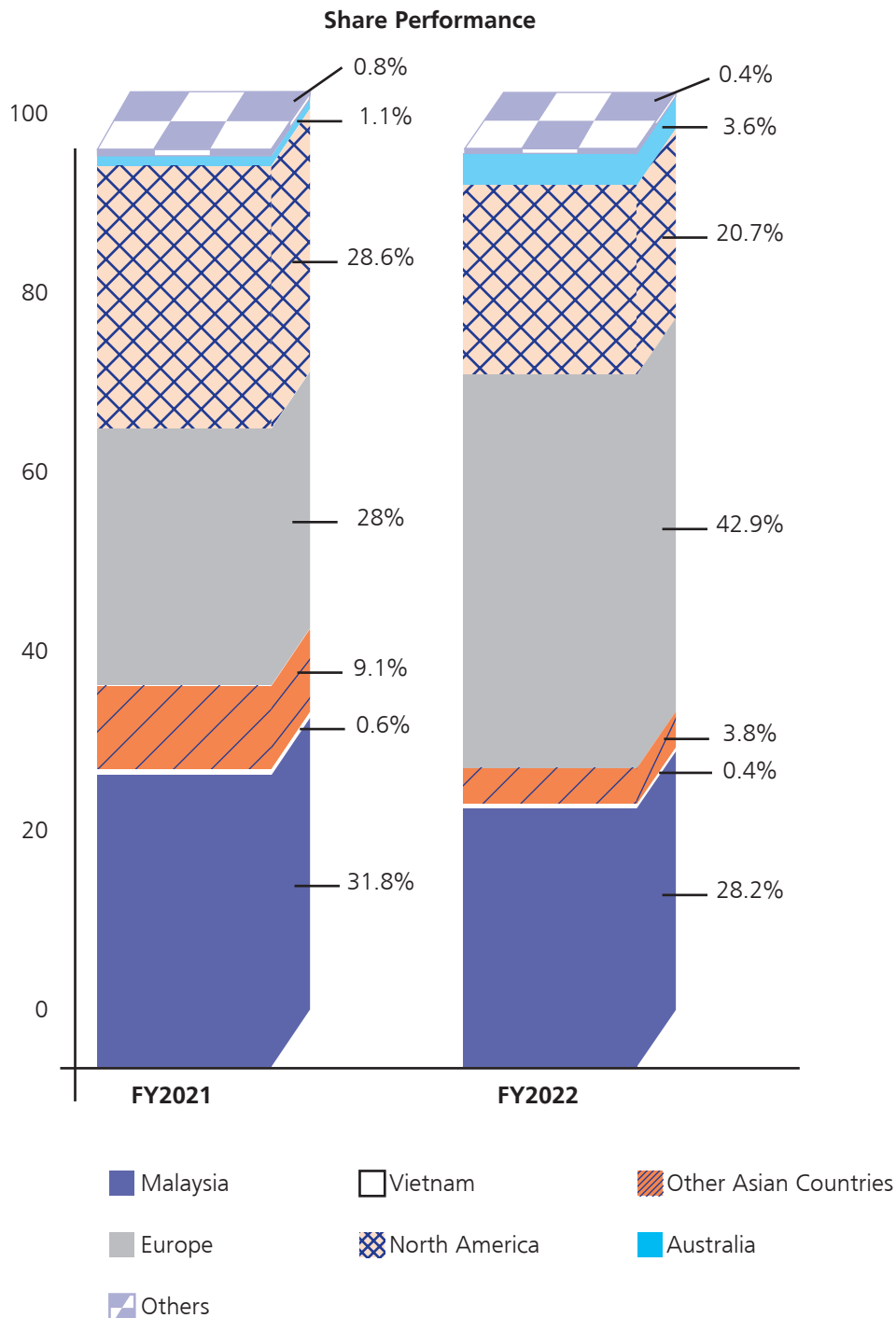
In the current financial year, the Group sold approximately 28.23% of its products in Malaysia whilst the remaining 71.77% revenue was contributed by export sales. Europe and North America remain as the two largest market destination of the Group which contributed about 42.90% and 20.73% respectively of its total revenue in FY2022. The Group managed to secure more orders from the escalating demand from Europe following the uplift of the economy restriction in the European countries. In addition, the EU anti-dumping duties imposed on China-made fasteners since February 2022 has diverted the orders from China fastener manufacturers to the Malaysian's manufacturers which benefitted us. The continuous lock-down measures implemented by the China government to prevent the spread of COVID-19 had slowed down the supplies from China and prompted some of their customers to purchase from the Group. Another factor that contributed to the higher revenue of the Group was the rise of the global wire rod price. In FY2022 the Group had marked up its selling price in line with the increase of the wire rod price being the raw material of the fastener products. Weakening of Malaysia Ringgit against USD had also translated the export sales into higher Group's revenue in the current financial year.

Geographical Segments	Revenue FY2022 (RM'000)	Revenue FY2021 (RM'000)	Change %
Malaysia	185,704	156,570	↑ 18.61%
Vietnam	2,909	2,941	↓ 1.05%
Other Asian Countries	25,001	44,730	↓ 44.11%
Europe	282,239	137,680	↑ 105.00%
North America	136,338	140,856	↓ 3.21%
Australia	23,689	5,256	↑ 350.70%
Others	1,958	3,622	↓ 45.94%
Total	657,838	491,655	↑ 33.80%

Management Discussion & Analysis (cont'd)

Review of Financial Results and Financial Condition (cont'd)

Indicators to Measure the Group's Performance (cont'd)



Other income of the Group increased by 19.63% to RM7.51 million in FY2022 as compared to RM6.28 million in FY2021; this is mainly due to the reversal of provision for unwinding discount amounting to RM2.62 million which was included as finance cost in the last financial year. The unwinding discount refers to the discounting effect of long outstanding debts.

Management Discussion & Analysis (cont'd)

Review of Financial Results and Financial Condition (cont'd)

Indicators to Measure the Group's Performance (cont'd)

The administrative expenses declined by RM3.68 million in the current reporting period. In FY2021, there was provision made for the impairment in trade receivables amounting to RM5.53 million. The issues of the long outstanding debts had been resolved in the current financial year following the shareholders' approval in January 2022 for the affected subsidiary entered into a settlement agreement with the said debtor. The amount owing by the debtor had been partially settled by way of transfer of shares in two property investment companies and assignment of advances from one of the directors of the aforementioned companies to the affected subsidiary. The balance amount will be repaid by the debtor within five years' time.

There are no significant changes in the selling and distribution expenses for FY2022 despite the surge in the export sales in the current financial year as part of the international ocean freight charges were borne by the customers.

The finance cost recorded by the Group in FY2022 is RM0.87 million represents 74.23% reduction as compared to FY2021. Last year the finance cost was higher as it included unwinding discount of RM2.62 million being the discounting effect of long outstanding debts. The actual bank borrowing cost of the Group in FY2021 is approximately RM 0.77 million only.

The Group recorded a profit before tax of RM122.21 million as compared with RM32.75 million in FY2021. Approximately 84.49% or RM103.25 million of the Group's profit before tax was contributed by the Fasteners division while the remaining RM18.10 million derived from the Wire division setting off the administrative expenses incurred by the investment holding company of RM0.55 million. The increasing wire rod price during FY2022 had led to higher selling price of the products which generated better profit margin for the Group. The results of the Group is further enhanced by higher other income coupled by the reduction in its administrative expenses.

Significant Changes in Financial Position and Liquidity As Compared With the Previous Financial Year

The Group's financial position is further enhanced in the year under review. Extracted from the Audited Statements of Financial Position as at 30 June 2022 and 30 June 2021 are the following key items which reflect the significant changes in financial position and liquidity:

	30.06.2022 RM'000	30.06.2021 RM'000	Change %
Trade receivables	102,201	81,999	▲ 24.64%
Current other receivables	16,908	28,332	▼ 40.32%
Bank borrowings	37,825	89,357	▼ 57.67%
Total equity attributable to shareholders	665,176	580,431	▲ 14.60%
Gearing ratios	0.06	0.15	

Trade receivables

As at 30 June 2022, trade receivables increased by RM20.20 million to RM102.20 million and this is in line with the increase in the Group's revenue.

Management Discussion & Analysis (cont'd)

Significant Changes in Financial Position and Liquidity As Compared With the Previous Financial Year (cont'd)

Current other receivables

Other receivables as at 30 June 2022 reduced by 40.32% to RM16.91 million as the deposits paid for purchases of raw materials had been inventoried upon the delivery of the goods purchased.

Borrowings

Bank borrowings comprised solely of trade related short term borrowings for working capital purposes. During FY2022, the Group had repaid RM51.53 million of bank borrowings so as to reduce its finance cost following the increase of interest rates adopted by United States (US) and Bank Negara Malaysia.

The equity attributable to the owners of the Company stands at RM665.18 million as at 30 June 2022 as compared to RM580.43 million as at 30 June 2021 after the recognition of higher profit after tax of RM95.96 million and partially set off with the declaration of dividends amounting to RM20.63 million in FY2022. During the current financial year the Company had bought back its own shares from the market with a total value of RM15,320.

Capital Expenditure Requirements and Capital Structure

The Group incurred capital expenditures (CAPEX) of RM4.95 million in FY2022 as compared to RM10.94 million in the immediate preceding financial year. Due to the uncertain economic conditions, the Group has been careful in its CAPEX. The CAPEX spent is mainly for replacement and restoring of machineries and equipment.

The capital structure as at 30 June 2022 in which the Group financed its overall operations comprised different sources of funds as follows:

	30.06.2022 RM'000	30.06.2021 RM'000	Change %
<u>Equity</u>			
Share Capital	177,929	177,929	-
Treasury Share	(18,880)	(18,865)	↑ 0.08%
Reserves	506,127	421,367	↑ 20.12%
<u>Debts</u>			
Net Borrowings	NIL	3,542	↓ -100%
Total	665,176	583,973	↑ 13.91%

Review of Operating Activities of Principal Business Segments

	Fasteners Products RM'000	Wire Products RM'000	Investment Holdings RM'000	Group RM'000
FY 2022				
Total Revenue	493,265	164,573	-	657,838
Profit/(Loss) before tax	103,851	18,507	(152)	122,206
FY 2021				
Revenue	352,293	139,362	-	491,655
Profit/(Loss) before tax	19,089	13,888	(230)	32,747

Management Discussion & Analysis (cont'd)

Fasteners Products

Fasteners Products division recorded a total revenue of RM493.27 million in FY2022 which represents an increase of 40.02% as compared to the immediate preceding financial year. Export sales surged in FY2022 after the uplift of the economy restriction by the European countries. In addition, the anti-dumping duty imposed by the European Commission on fasteners products originating from China had prompted the customers in Europe to divert their orders to Malaysia. The intermittent lock-down in China since the COVID-19 pandemic had further pushed some of the customers to source their products in the ASEAN region and this had boosted the division's revenue. The increase in the global wire rod price and weakening of Ringgit Malaysia had translated to higher export revenue of the division in the current reporting year. Against FY2021, the revenue was lower as the division's production in Malaysia was interrupted when the Full Movement Control Order ("FMCO") was reinforced by the Malaysian government after the resurgence of COVID-19 cases in Malaysia. Some of the local deliveries were deferred arising from the lockdown thus the revenue was reduced accordingly.

The profit before tax of the division in FY2022 improved by RM84.76 million to RM103.85 million from RM19.09 million in FY2021. The improvement is mainly attributable to the product mix as well as the increase in average selling price in tandem with the increasing global wire rod price that had generated higher margin to the division in FY2022. Other income increased by RM1.23 million to RM7.51 million in the current reporting year as a result of the reversal of unwinding discount which was provided in last financial year.

Wire Products

Wire division posted total revenue of RM164.57 million in FY2022 which represents an increase of 18.09% as compared to FY2021. The profit before tax increased from RM13.89 million in FY2021 to RM18.51 million in FY2022. Wire division managed to secure more local orders in addition to the increase in global wire rod price in FY2022 had contributed to a better performance of the division.

Business Risks

The supply of wire rod and fluctuation of its price remain one of the major business challenges of the Group. When there is a shortage of supply and the prices of wire rod fluctuate, the Group's profit margin will be impacted in short term. In the past, the Group had successfully minimised the business impact of the wire rod price fluctuation through inventory planning. In order to mitigate the risk, the Group has been constantly monitoring the price movement of the wire rod and would purchase in bulk in order to secure more competitive pricing. It is also the practice of the Group to source its raw material from various sources so that it not reliant on a single supplier. The Group always ensures sufficient inventories for its production requirements by stocking up the materials when its price is low. Despite the fluctuation of the raw material price, there should not be a significant impact on the Group's bottom line in the long run as the Group applies cost-plus method in its pricing strategy. In addition, with the good relationship that the Group maintains with its long-term suppliers, the Group manages to have sufficient raw materials when there is a shortage of steel supply worldwide.

The unpredictable global political situation such as escalating tension between US-China and the on-going Ukraine-Russia war may dampen the global economy sentiment and adversely impact the demands for the Group's products. These are events and circumstances that are beyond the Group control. However, to mitigate such risk it is always the Group intention to leverage on its competitive strength such as to focus on our production efficiency, to widen our product range, upgrade our product quality and enhance our delivery lead time efficiency. These will equip us to remain competitive in the industry for unexpected challenges ahead.

Shortage of labour had caused the underutilization of the Group production capacity whilst the amendments to the Employment Act such as increase in minimum wages had increased the product unit cost. To mitigate the risk, the Group had recruited additional foreign workers recently to resolve the labour shortage issues. For long term solution, the Group will continue to invest in automation of its production to reduce its dependency on the foreign workers.

Another prevailing operating challenge in the existing unstable economy conditions is the risk of non-collection from customers. As a precautionary measure the Group has been monitoring closely its receivables and tightens up the credit control policy of the respective subsidiaries to minimize the credit risk. The credit risk will always be taken into consideration while the Group continues to expand its distribution channel for sustainable growth of the Group.

Management Discussion & Analysis (cont'd)

Forward-looking Statement

According to Zion Market Research, the global industrial fasteners market revenue is expected to reach USD147bn by 2028, growing at CAGR of around 5.9% from USD98.2bn in 2020, driven by growing demand from various sectors including automotive, construction, infrastructure, and furniture. The Group remains optimistic that demand for global industrial fasteners is expected to return to pre-pandemic level and resume its growth trajectory in the future.

However, it is undeniable that the market outlook in the next financial year will be more challenging than the current reporting year. This is indicated in the geopolitical conflicts, instability and rampant inflation worldwide. Higher-than-expected inflation worldwide especially in the United States and major European economies has triggered tighter financial conditions that will negatively affected the demand on the Group's products knowing that the US and Europe are two of the Group's major destination markets.

Despite the adverse impact from the global uncertainties, the Group expects to continue enjoy the spillover demand from anti-dumping duties imposed by the European Commission and US on steel fasteners originated from China, as well as from intermittent lockdowns in China.

With growth in the first half of 2022 at 6.9%, the Malaysian economy is projected to expand further for the remainder of the year. According to Bank Negara Malaysia, the local economy will continue to be supported by firm domestic demand. Growth would also benefit from improving labour market conditions and higher tourist arrivals, as well as continued implementation of multi-year investment projects. The Group expects the major construction projects in Malaysia will restart next year after the national election which will result in deliveries to customers in the related industries.

The Group would continue to explore other new business ventures which will potentially benefit the growth of the Group. Given the rising risks from the uncertainties of the economic conditions, the Group will be cautiously prudent in its business and strategies approach. Barring unforeseen circumstances, the Group anticipates a satisfactory performance in the forthcoming year.

Dividend

The Group had established a dividend policy of distributing at least 40% of the Group's net profits to shareholders of the Company since the financial year ended 30 June 2014.

In FY2022, CWHB declared a total dividend of 13.40 sen per share, which represented 40% of the Group's net profits.

Appreciation

On behalf of the Board of Directors and management, we would like to express our sincerest appreciation to the Group's business associates, suppliers, customers and shareholders that have steered the Group towards achieving it success. The Board will continue to strive towards enhancing value for all our shareholders and we hope for your continuous support and contribution going forward into the future.

Directors' Profile

LIM CHIEN CH'ENG

*Non-Independent
Non-Executive Chairman*

Age: 69
Gender: Male
Nationality: Malaysian

He was appointed to the Board of CWHB on 2 March 1999 and currently he is the Non-Independent Non-Executive Chairman of the Company. He graduated from Universiti Sains Malaysia in 1976 with a Bachelor of Social Science (Hons.) Degree majoring in Politics. Subsequently, he pursued a law degree and graduated from Kings College, University of London in 1979 with a Bachelor of Law (LLB. Hons.). He was called to the English Bar in 1980 and the Malaysian Bar in 1981. He is a member of the Lincoln's Inn. He has been practicing as an Advocate & Solicitor in Malaysia since 1981 and is a Partner in a legal firm with offices in Penang, Seberang Jaya and Kuala Lumpur.

He is an Independent Non-Executive Director of P.I.E Industrial Berhad, a public company listed on Bursa Securities. Saved as disclosed, he does not have any directorship in public companies and other listed issuers.

ANG SENG OO

*Independent
Non-Executive Director*

Age: 67
Gender: Male
Nationality: Malaysian

He was appointed to the Board of CWHB on 5 December 2017. He is the Chairman of Nominating Committee, Chairman of Audit Committee and a member of Remuneration Committee. He started his career at Tansley Witt & Co, London where he qualified as a Chartered Accountant (Institute of Chartered Accountants In England and Wales) in 1977. He later joined KPMG in the London and Kuala Lumpur offices. He is also a member of the Malaysian Institute of Accountants. He has many years of broad financial experience having held various senior financial positions in public listed companies whose activities span investment holdings, construction, property and infrastructure development, both in Malaysia and Australia.

He does not have any directorship in public companies and other listed issuers.

DATIN SHARMIN FAZLINA BINTI MOHD SHUKOR

*Independent
Non-Executive Director*

Age: 43
Gender: Female
Nationality: Malaysian

She was appointed to the Board of CWHB on 1 October 2014. She is the Chairman of Remuneration Committee and also a member of Nominating Committee and Audit Committee. She holds a Bachelor of Laws (Honours) degree from Brunel University, United Kingdom and the Certificate of Legal Practice from the Legal Qualifying Board of Malaysia. She was admitted to the High Court of Malaya in 2004. She began her career with Skrine and later joined Zaid Ibrahim & Co. She was named by the Islamic Finance News Awards 2012 as one of the leading lawyers in the corporate and commercial area of legal practice in 2012. Currently, she is a partner of a legal practice in Kuala Lumpur. She also advises on general matters relating to corporate and commercial law and has been actively involved in various legal due diligence exercises.

She does not have any directorship in public companies and other listed issuers.

Directors' Profile (cont'd)

LOW YEAW SENG

*Independent
Non-Executive Director*

Age: 64
Gender: Male
Nationality: Malaysian

He was appointed to the Board of CWHB on 5 October 2018. He is also a member of Remuneration Committee, Nominating Committee and Audit Committee. He graduated from Universiti Malaya with a Bachelor of Accounting (hons) degree in 1983. After graduation, he joined Accountant General Department, Ministry of Finance as a Treasury Accountant. He served in various Ministry until 1995 and joined Ooi & Associates, Chartered Accountant firm that provides assurance, taxation, corporate secretarial, accounting and consultancy services. Besides leading in assurance and taxation practice, he is also an approved Trade Mark Agent. He is a member of Malaysian Institute of Accountants and a fellow member of CPA Australia.

He does not have any directorship in public companies and other listed issuers.

TSAI YUNG CHUAN

Managing Director

Age: 65
Gender: Male
Nationality: Taiwanese

He was appointed to the Board of CWHB on 2 March 1999. He is one of the founders of CWHB Group. He graduated with a Certificate in Electrical Engineering from Lienho Junior College of Technology in Taiwan in 1975. He started his career as a General Manager by joining his family business, Jinn Her Enterprise Co. Ltd., a factory manufacturing fasteners in 1980. He then initiated the business expansion into Malaysia when he visited this country in 1988.

He does not have any directorship in public companies and other listed issuers.

TSAI CHANG HSIU- HSIANG

Executive Director

Age: 65
Gender: Female
Nationality: Taiwanese

She was appointed to the Board of CWHB on 2 March 1999. After her graduation, she joined the family business, Jinn Her Enterprise Co. Ltd. in 1980, of which she was in-charge of the financial affairs of the company. She came to Malaysia in 1989 and helped to form Chin Well Fasteners Co. Sdn. Bhd. She is currently in charge of the financial affairs of CWHB Group.

She does not have any directorship in public companies and other listed issuers.

Directors' Profile (cont'd)

TSAI CHIA LING

Executive Director

Age: 43
Gender: Female
Nationality: Taiwanese

She was appointed to the Board of CWHB on 5 July 2021. She graduated from National Cheng Kung University in 2001 with a Bachelor of Business Administration Degree. She started her career as a Management Trainee with Gem-Year Industrial Co. Ltd. (China) before she joined Chin Well Fasteners Co. Sdn. Bhd. ("CWF") as a Marketing Executive in 2003. She was appointed as the General Manager of CWF on 1 July 2013 and she is currently overseeing the entire operation of CWF.

She is a Non-Independent Non-Executive Director of Tambun Indah Land Berhad, a public company listed on Bursa Securities. Saved as disclosed, she does not have any directorship in public companies and other listed issuers.

TSAI CHENG HSUN

Executive Director

Age: 41
Gender: Male
Nationality: Taiwanese

He was appointed to the Board of CWHB on 1 July 2022. He graduated from National Taiwan University with Bachelor of Business Administration in 2003 and received his Master degree of Business (Public Relations) from the Queensland University of Technology in 2013. He has more than 13 years' experience in fasteners related field. He joined Chin Well Fasteners (Vietnam) Co. Ltd ("CWFV") since its inception and has played a pivotal role in various aspect of the management. He was appointed as the General Director of CWFV on 13 June 2013 and he is currently overseeing the entire operation of CWFV.

He does not have any directorship in public companies and other listed issuers.

Key Management Profile

TSAI CHIA WEN

Marketing Manager –
Chin Well Fasteners
(Vietnam) Co. Ltd.,
("CWFV")

Age: 32
Gender: Female
Nationality: Taiwanese

She obtained her Bachelor degree of Business Administration from Arizona State University in 2011. She started her career in CWFV as a purchaser after her graduation. Subsequently, she was transferred to the marketing department and promoted to head the department in 2013.

She does not have any directorship in public companies and listed issuers.

TENG CHUNG-CHIEN

Senior Marketing
Manager –
Chin Well Fasteners Co.
Sdn Bhd., ("CWF")

Age: 65
Gender: Male
Nationality: Taiwanese

He obtained his Bachelor degree of Business Administration from Chihlee University of Technology, Taiwan in 1977. He has numerous years of working experience in the fasteners industry when he was in Taiwan. He came to Penang in 1988 and set up CWF together with the founder of the company. He focused in the marketing activities of CWF since its inception and he was promoted to the Senior Marketing Manager on 1 July 2016.

He does not have any directorship in public companies and listed issuers.

CHU KIM TEIK

General Manager –
Chin Herr Industries (M)
Sdn. Bhd.

Age: 56
Gender: Male
Nationality: Malaysian

He completed his STPM qualification in Chung Ling High School, Penang in 1986. He has more than 30 years experience mainly focused in sales and marketing. He joined the Group 30 years ago, as an International Sales Representative in the Fasteners division in 1992. Two years later, he was transferred to the Wire division and involved in the sales and marketing activities. He holds the position of General Manager in the Wire division since 1 June 2008 and his key responsibilities are leading the management planning and overseeing the operations of the Wire division.

He does not have any directorship in public companies and listed issuers.

Notes:

- N1) Tsai Yung Chuan, Tsai Chia Ling and Tsai Cheng Hsun are the major shareholders of CWHB.
N2) Family relationships amongst the Directors, Key Management and/or major shareholders of CWHB:-
- a) Tsai Chang Hsiu-Hsiang is the spouse of Tsai Yung Chuan;
 - b) Tsai Cheng Hsun is the son of Tsai Yung Chuan and Tsai Chang Hsiu-Hsiang;
Tsai Chia Ling and Tsai Chia Wen are the daughters of Tsai Yung Chuan and Tsai Chang Hsiu-Hsiang.
- N3) None of the Directors and Key Management has any conflict of interest with the Group.
N4) None of the Directors and Key Management has been convicted for offences within the past 5 years nor any public sanctions or penalty imposed by the regulatory bodies during the financial year other than traffic offences, if any.

Corporate Governance Overview Statement

This Corporate Governance Overview Statement is prepared in accordance with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities) and the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission Malaysia.

This statement gives the shareholders an overview of the corporate governance practices of the Company during the financial year ended 30 June 2022 (FY2022) and it is to be read together with the Corporate Governance Report which is available at the Company's website (www.chinwell.com.my)

In FY2022, the Company had adopted 42 out of the total 45 recommended practices in MCCG. The recommended practice not adopted is as follows:

Practice 5.2

At least half of the board comprises independent directors. For Large Companies, the board comprises majority independent directors.

Practice 8.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board takes full responsibilities for the overall performance of the Group and had delegated certain areas of responsibilities to the Board Committees with predefined terms of reference and the executive directors for the Group's day to day operations.

The Chairman of the Company is a non-independent non-executive member of the Board and is responsible for leading the Board to ensure its effectiveness, ensuring effective communications with shareholders and relevant stakeholders and for orderly conducts of meetings.

The Managing Director formulates and develops the Group's strategies and policies. He is also responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. The Managing Director is supported by the executive directors and management who are responsible for implementing of policies and decisions of the Board and are accountable for the conduct and performance of the businesses.

The Board is supported by 2 qualified company secretaries and has unrestricted access to the services of the Company Secretaries on matters relating to the companies law, rules and regulations of the regulatory authorities as well as best practices on governance.

Board meetings

The Board ordinarily meets at least five (5) times a year at quarterly intervals with additional meetings convened as and when urgent and important decisions need to be made between the scheduled meetings. In recognizing the importance of time commitment from all the Directors, each Director shall attend at least 60% of the total meetings held during the financial year. The Board receives documents on matters requiring its consideration at least 7 days in advance of each meeting. The Board papers are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. The proceedings of the Board meetings are minuted by the Company Secretary and signed by the Chairman of the meeting.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board meetings (cont'd)

The Board met six (6) times during the FY2022. The details of each Director's attendances at Board meetings are as follows:

Name of Directors	Number of Board Meetings Attended
Tsai Yung Chuan	6/6 meetings
Tsai Chang Hsiu-Hsiang	6/6 meetings
Tsai Chia Ling	6/6 meetings
Lim Chien Ch'eng	6/6 meetings
Datin Sharmin Fazlina Binti Mohd Shukor	6/6 meetings
Ang Seng Oo	6/6 meetings
Low Yew Seng	6/6 meetings

In facilitating the Directors' schedule for the year, an annual corporate calendar is discussed and circulated to the Directors before the beginning of a new financial year. The corporate calendar provides the scheduled meeting dates of the Board, Board Committees, as well as the AGM and other events of the Company.

The Board was satisfied with the level of time commitment given by the Directors having multiple board representations as they had fulfilled their roles and responsibilities as Directors of the Company during the FY2022.

Directors Trainings

All Directors had attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors however, are to evaluate their own training needs on a continuous basis and to attend workshops, seminars and other training programmes that would enable them to enhance their knowledge and contribution to the Board.

During FY2022, the Nominating Committee and the Board had reviewed and assessed the trainings attended by the Directors and had allocated a training budget for each Director to encourage them to attend more structured trainings to keep them abreast with the regulatory and industry development.

Training programmes and workshop attended by the Directors during the financial year are as follows:

Director	Trainings
Tsai Chia Ling	TCFD 101: Getting started with climate related financial reporting Mandatory Accreditation Programme
Lim Chien Ch'eng	Mandatory Accreditation Programme
Ang Seng Oo	TCFD 101: Getting started with Climate related financial reporting TCFD 102: Building experience in Climate related financial reporting Tax Governance: It's Time to Embrace It

Save as disclosed above, the other Directors did not participate in any structured trainings during the financial year as they opined that their business meetings and interaction with various business parties and other directorships sufficiently served them in discharging their duties on the Board. In addition the Covid 19 pandemic during the current financial year had restricted the attendance of physical training by the directors.

Corporate Governance Overview Statement (cont'd)

Board Composition

The Board, currently consists of eight (8) members; comprising four (4) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent and Non-Executive Director. The Board complies with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors.

The Directors, with their different background and expertise, collectively bring with them a wide range of experiences such as finance, legal, corporate affairs, marketing and operations. A brief profile of each Director is presented on pages 20 to 22 of this Annual Report.

The present members of the Nominating Committee are as follows:-

Name	Designation	Directorate
Ang Seng Oo	Chairman	Independent Non-Executive
Datin Sharmin Fazlina Binti Mohd Shukor	Member	Independent Non-Executive
Low Yeaw Seng	Member	Independent Non-Executive

The Nominating Committee met once during the FY2022 with full members present. The activities of the Nominating Committee are summarised as follows:-

- a) Reviewed and assessed the composition of the Board and Board Committees
- b) Reviewed and assessed the contributions of individual Directors and Independent Directors
- c) Reviewed and assessed the Directors due for retirement by rotation
- d) Reviewed and assessed the performance of the Audit Committee and each of its member
- e) Reviewed and assessed the Continuing Education Programmes and the Directors' training needs
- f) Reviewed and assessed the Boardroom Diversity
- g) Reviewed and assessed the Board skills matrix
- h) Reviewed and assessed the effectiveness of the Company's the Environmental, Social and Governance ("ESG") and Sustainability matters
- i) Reviewed and assessed the financial literacy of the members of the Audit Committee
- j) Assessed and recommended the appointment of Tsai Cheng Hsun as executive director of the Company

The Nominating Committee applies a set of criteria by way of questionnaires to evaluate the performance of individual Directors, the Board as a whole, each Board Committee and review their performance annually. The criteria used, amongst others, for the annual assessment of individual Director includes an assessment on their knowledge, roles, duties, responsibilities, integrity, contribution to interaction during the meeting and independent challenge to Board's deliberation and decision, whereas for the Board and Board Committees, the criteria used include composition, structure, expertise and responsibility in company's strategy, human capital, management reporting and financial literacy. The mentioned criteria were set with the objective to examine the contribution and performance of the Directors, the effectiveness of the Board and the Board Committees and these criteria are subject to review whenever required.

The Nominating Committee, upon its recent annual assessment carried out, is satisfied that the current size and composition of Board, Board Committees, its directors and senior management are adequately appropriate for its purpose with relevant mix of skills, experience, independency and other necessary qualities to serve effectively.

The Nominating Committee is also responsible for assessing the candidate for appointment to the Board and Board Committees through a formal and transparent selection process. New candidate will be considered and evaluated by the Nominating Committee after taking into consideration the mix of skills, time commitment, competencies, experiences and other qualities which are relevant to the business of the Group.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (cont'd)

The Nominating Committee will also consider other factors such as the level of independence of the candidate for the appointment of Independent Director. The Nominating Committee will then submit its recommendation to the Board for decision. The Company Secretary will ensure that all appointments are properly made, all necessary information is obtained, as well as all legal and regulatory obligations are met. During the FY2022, the Committee had assessed and recommended to the Board, the appointment Mr. Tsai Cheng Hsun as an Executive Director of the Company.

As at 30 June 2022, three (3) out of seven (7) Directors of the Company are women Directors equivalent to 42.86% and this complies with the requirement where the Board must have at least 30% women directors. As at 30 June 2022, the Board's ethnicity composition comprised 14% Malay and 86% Chinese. On 15 September 2021, the Board adopted the gender diversity policy to have at least 30% of its directors are female directors in the composition of the Board.

The Nominating Committee is also responsible to recommend the re-election of Directors due for retirement at the forthcoming annual general meeting (AGM).

An election of director shall take place every year. In accordance with the Company's Constitution, 1/3 of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to 1/3 shall retire from office and be eligible for re-election. All the Directors shall retire from office at least once every 3 years but shall be eligible for re-election. A retiring director shall retain office until the close of the AGM at which he retires.

Any Director appointed either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

The assessment of Independent Directors is carried out before their appointment. Additionally, the Independent Directors are required to provide an undertaking to Bursa Securities pursuant to Paragraph 1.01 of the MMLR of Bursa Securities confirming their independency. On annual basis, the Independent Directors are required to carry out a self-assessment evaluations that they are free of any significant business or other relationships which could interfere with the exercise of independent judgment and able to act in the best interests of the Company and ensure shareholders' interests are given priority in the event of a conflict of interest.

The Nominating Committee, upon its recent annual assessment carried out, is satisfied that the Independent Directors have been able to discharge their responsibilities in an independent manner where they actively participated at Board meetings and provided constructive feedback that benefited the stakeholders of the Company.

Tenure of Independent Directors

Practice 5.3 of the MCCG stipulates that the tenure of an Independent Director of the Company should not exceed a cumulative term of nine (9) years. An Independent Director may continue to serve the Board subject to re-designation as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term limit of nine (9) years, the Board will seek shareholders' approval through two-tier voting.

The Company does not have a policy which limits the tenure of its independent directors to nine (9) years. The Board is of the view that there are advantages to be gained from the long-serving Directors who possess tremendous insights and knowledge of the Group's businesses and affairs. In addition, the ability of a Director to serve effectively is very much dependent on the person's caliber and personal integrity and objectivity, and has no real connection to his tenure as an Independent Director.

On 27 June 2022, the Board had adopted a Fit and Proper Policy for the appointment of the directors and a copy of the policy is available on the Company's website.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration

The present members of the Remuneration Committee are as follows:-

Name	Designation	Directorate
Datin Sharmin Fazlina Binti Mohd Shukor	Chairman	Independent Non-Executive
Ang Seng Oo	Member	Independent Non-Executive
Low Yeaw Seng	Member	Independent Non-Executive

The Remuneration Committee is responsible to recommend to the Board the remuneration package, rewards and other benefits of Executive Directors. The Directors Remuneration Policy is available on the Company's website. The Remuneration Committee also recommended to the Board, the proposed fees and benefits of the Non-Executive Directors. However, all the Directors' fees and benefits must be approved by the shareholders at the AGM. The respective Director is required to abstain from deliberation and voting on decisions in respect of his individual remuneration.

The Remuneration Committee meets whenever necessary. During the financial year, the Remuneration Committee had held one meeting with full attendance. The Remuneration Committee believes that fair remuneration is important to attract, retain and motivate the directors. In making recommendations to the Board, appropriate survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages of the directors. This is to ensure that the Director's remuneration package is competitive with the prevailing market rate of the same industry.

The remuneration of the individual Directors for FY2022 had been disclosed in the Corporate Governance Report.

Details of Top Five Senior Management Remuneration

The Board had disclosed the remuneration of its senior management in bands of RM50,000 but not on named basis in view of the competitive nature of the human resource market and to support the Company's efforts in attracting and retaining executive talents, it should maintain confidentiality on employee remuneration matters.

The top five (5) senior management whose remuneration (comprising salary, bonus, benefits in-kind and other emoluments) for FY2022 within the successive bands of RM50,000 are as follows:

Remuneration Band	Number of top five (5) senior management
RM900,001 to RM950,000	1
RM450,001 to RM 500,000	2
RM250,001 to RM 300,000	1
RM150,001 to RM200,000	1

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

Members of the Audit Committee and their meeting attendance during the FY2022 are as follows:-

Name	Designation	Directorate	Number of Meetings Attended
Ang Seng Oo	Chairman	Independent Non-Executive	5/5
Datin Sharmin Fazlina Binti Mohd Shukor	Member	Independent Non-Executive	5/5
Low Yeaw Seng	Member	Independent Non-Executive	5/5

The term of reference of the Audit Committee is available on the Company's website (www.chinwell.com.my).

The summary of the works carried out by the Audit Committee is detailed in the Audit Committee Report.

Risk Management and Internal Control Framework

Since the listing of the Company, the Board continuously placed emphasis on the need for maintaining a sound system of internal control within the Group with the objective to manage and mitigate risk at an acceptable level and to safeguard the assets of the Group as well as the investors' interest.

The Company outsourced its internal audit function of its local subsidiaries to a professional consulting firm whilst the internal audit function of its foreign subsidiary is performed in-house. The Internal Auditors assists the Audit Committee in discharging its duties and responsibilities. The Internal Auditors is to provide independent review on the state of risk management and internal control of the Group report directly to Audit Committee. The Audit Committee reviews, deliberates and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization.

The Audit Committee meets with the Internal Auditors twice a year to ensure controls are effectively applied. Through the Audit Committee, the Board has established a transparent relationship with the Internal Auditors.

The Group has an on-going process for identifying, evaluating and managing the principal risks. The Management with the assistance of the outsourced Internal Auditors had established a risk management framework to assess, review and monitor the risk at an acceptable level to the Group. The Internal Auditors will review the risk register prepared by the management and highlight the high risk area, adequacy of compliance and control measures to the Audit Committee. Audit Committee will take into consideration the report of the Internal Auditors before they fix the audit plan.

The Statement on Risk Management and Internal Control furnished in pages 42 to 44 of this Annual Report provide an overview of the state of internal controls within the Group.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Integrity in Corporate Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders as well as the Management Discussion and Analysis Report in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Integrity in Corporate Reporting (cont'd)

The Audit Committee, has the authority under its terms of reference to investigate any matters relating to the Group's accounting, auditing and internal controls and has full access to and co-operation of the management and/or invite any management or officers to attend its meeting and reasonable resources to discharge its function properly.

The Audit Committee meets on a quarterly basis to review the Group's financial statements prior to recommending them for the Board's approval and announcement. A separate analysis report of the financial performance of the major subsidiaries and the significant variances on the expenditures will be reviewed during the quarterly meeting. The Audit Committee will request the management to explain further if clarification is needed. The Audit Committee will also ensure the appropriate approved accounting standards (MFRS) are applied consistently and prudent judgments are made in preparing the financial statements.

Relationship with the External Auditors

The Board through the Audit Committee maintains a professional and transparent relationship with the External Auditors in conduct of the audit and towards ensuring compliance with the requirements of the approved accounting standards.

In performing its function, the Audit Committee met with the External Auditors, reviewed the external audit plan prior to the commencement of the audit and co-operation/assistance given by the Management to the External Auditors so as to ensure sufficient coverage in terms of the scope of the audit. After the completion of the audit, all significant audit findings and recommendations are presented to the Audit Committee for discussion.

During FY2022, there were non-audit services provided by the External Auditors amounting to RM2,000. The Audit Committee met with the External Auditors twice without the presence of the Executive Directors and Management of the Company.

The current External Auditors, Grant Thornton Malaysia PLT ("GT") was re-appointed by shareholders at the last AGM. In accordance with the policy of the Group's External Auditors, the lead audit engagement and concurring partners of the firm be subject to a seven-year rotation and five-year cooling-off period. This is to ensure the objectivity, independence and the integrity of the audit opinion.

For the FY2022, GT had confirmed in writing that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee also formally assessed the suitability and independent status of the External Auditors via a set of questionnaire. Based on the assessment performed, the Audit Committee was in the opinion that GT is able to meet the audit requirements and statutory obligations of the Company, has independent status and has sufficient resources to carry the audits of the Company and of the Group. Thus, the Audit Committee recommended the re-appointment of GT to the Board for approval by the shareholders at the forthcoming AGM.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Corporate Disclosures

The Board is mindful of the compliance with the MMLR of Bursa Securities in relation to disclosures of information and acknowledges the importance of timely dissemination of information to shareholders, stakeholders and investment community. The Board had adopted a Corporate Disclosure Policy in disseminating of information to the relevant parties. Such information is communicated through:

- Announcements and disclosures to Bursa Securities
- Annual Report of the Company
- Circulars to Shareholders
- Company's separate briefings for the fund managers, institutional investors and investment analysts when it is required.
- Company's website at <http://www.chinwell.com.my>

Conduct of general meetings

The Company's AGM serves as a principal forum for dialogues and interactions with shareholders and investors. The Extraordinary General Meeting is held as and when required.

At the commencement of the meeting, the Secretary will share with the shareholders amongst others, the proceedings of the meeting, the Questions & Answers session as well as the poll voting process. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the agendas of the meeting. The Directors, senior management and the Group's External Auditors are in attendance to respond to shareholders' enquiries. Additionally, there will be a presentation on the Company's financial performance by the Executive Director.

The Company's Annual Report, together with notice of AGM, is sent to shareholders at least twenty eight (28) days before the date of each AGM. Each item of special business included in the notice of AGM will be accompanied by explanatory statement to facilitate a full understanding and evaluation of issues involved. The adequate information and timely notice allow shareholders to make necessary arrangements to attend and participate in the AGM either in person, by corporate representative, by proxy or by attorney.

In compliance with the MMLR and the Company's Constitution, all the resolutions set out in the notice of the forthcoming AGM shall be voted upon by poll.

This statement is issued in accordance with a resolution of the Directors dated 30 September 2022.

Additional Compliance Information

Material Contracts

There were no material contracts entered by the Company and its subsidiaries involving Directors' and major shareholders' interest other than those disclosed in the financial statements except the following.

Chin Well Service Centre Sdn Bhd ("CWSC"), a wholly-owned subsidiary of the Company had on 25 October 2021 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 ("NBHR") as at 31 December 2020 amounting to RM1,686,979.17;
 - (b) 45% of the adjusted NA of Jadi Raya Development Sdn Bhd ("JR") 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 shall be assigned to CWSC;
- (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.

None of the directors and/or major shareholders of the Company have any interest, directly or indirectly in NBHSC or connected with NBHSC, NBH and TSS. However, certain directors and/or major shareholders of the Company are deemed interested in the Proposed Settlement by virtue of them being the directors and major shareholders in NBHR and JR.

Accordingly, 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 interested in the Proposed Settlement. The Proposed Settlement was 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 NBHR and JR had become the 45% indirect 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 JR.

Utilisation of Proceeds

For the financial year ended 30 June 2022, there were no proceeds raised by the Company from any corporate proposal.

Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPT")

The RRPT entered by the Group during the financial year are enclosed in Note 31 of the financial statements in pages 112 to 114 of this Annual Report.

Audit and Non-audit Fees

For the financial year ended 30 June 2022, the fees payable for external audit services by the Company and the Group was RM38,000 and RM120,000 respectively. The Company paid RM2,000 for non-audit services during the current financial year.

Directors' Responsibility Statement

The Board is required by the Companies Act, 2016 to prepare financial statements for each financial year for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the results and cashflows for the period then ended. In preparing the financial statements, the Directors had:

- Applied appropriate approved accounting standards consistently,
- Made judgments and estimates that are reasonable and prudent,
- Prepared financial statements on a going concern basis.

The Directors had ensured the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group to enable them to ensure that the financial statements comply with the Companies Act, 2016. The Directors also had taken steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement is issued in accordance with a resolution of the Directors dated 30 September 2022.

Sustainability Report

The Board of Directors (“Board”) of Chin Well Holdings Berhad is proud to present the Sustainability Report for the financial year ended 30 June 2022. This Report is prepared in the manner prescribed by Bursa Malaysia Securities Berhad (“Bursa”) in its Main Market Listing Requirements (“Listing Requirements”) and taking into consideration the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits in response to the Listing Requirements on sustainability reporting.

Our sustainability reporting period covers from 1 July 2021 to 30 June 2022 and the scope of this report includes of our major subsidiaries in Malaysia i.e. Chin Well Fasteners Co. Sdn. Bhd. (“CWF”) and Chin Herr Industries (M) Sdn. Bhd. (“CHI”), excluding our subsidiary in Vietnam. We target to include our Vietnam subsidiary in next financial year reporting.

Sustainability Governance Structure

Our Board of Directors (“BOD”) holds the responsibility of ensuring that sustainability is integrated into the process of strategic planning of the Group. The BOD is supported by our Sustainability Management Committee (“SMC”) which consists of the management members and which, oversees the formulation and implementation of the Group’s sustainability strategies.

The various sustainability initiatives undertaken by the reporting subsidiaries are summarized below:

Stakeholders Identified

According to the Sustainability Reporting Guide, a stakeholder is essentially an individual or a group that has an effect on, or is affected by the organization and its activities. The table below shows the list of stakeholders with whom we engage with during the current reporting period and who we believe are impacted the most by our business activities.

Stakeholder group	Engagement method	Frequency of engagement	Sustainability material matter
Customers	Face to face interaction	As needed	<ul style="list-style-type: none"> Customer satisfaction Customer complaint
	Customer feedback/survey	As needed	
	Product exhibition	Adhoc	
	Product quality audit by customer	As needed	
Suppliers	Face to face interaction	As needed	<ul style="list-style-type: none"> Quality of goods /service supplied Timely delivery Competitive pricing Consistent supply Anti-bribery and corruption
	Supplier visit	Adhoc	
	Supplier appraisal	As needed	
Government & Authorities	Regulatory requirement	On-going	<ul style="list-style-type: none"> Compliance
	On-going interaction	As needed	
	Meeting	As needed	
	Reports	Periodically	

Sustainability Report (cont'd)

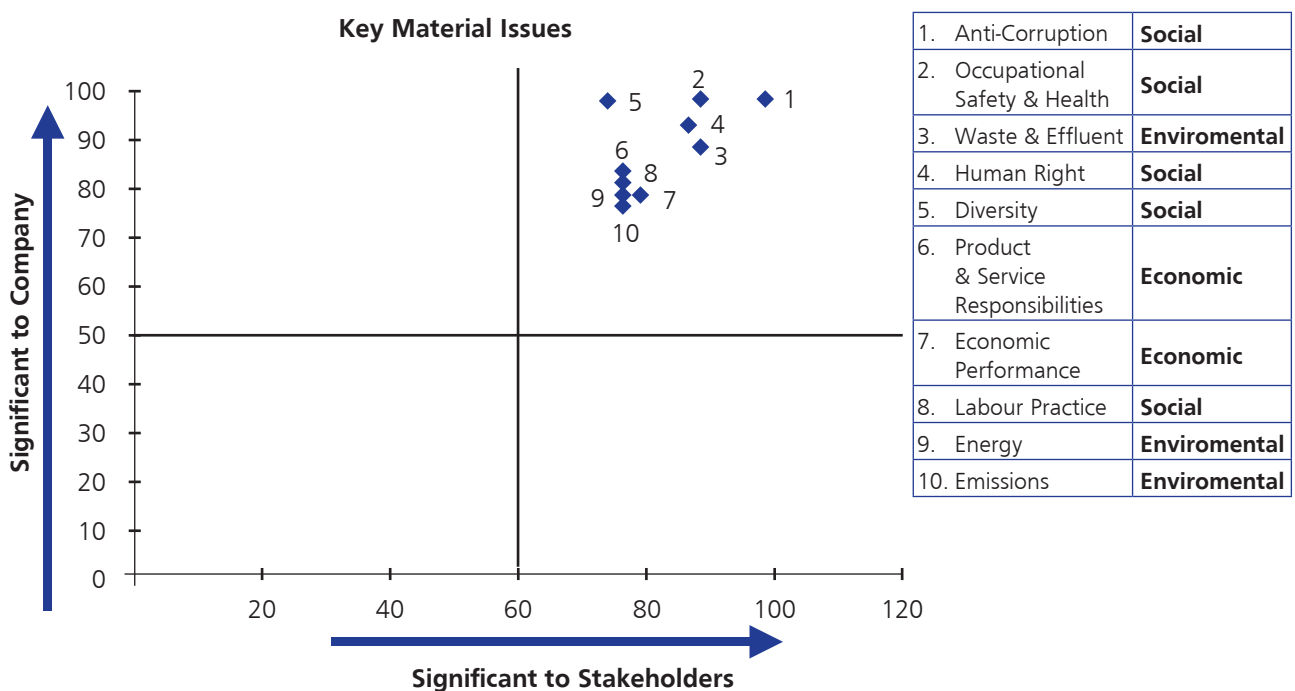
Stakeholders Identified (cont'd)

Stakeholder group	Engagement method	Frequency of engagement	Sustainability material matter
Employees	Management meeting	Regularly	<ul style="list-style-type: none"> • Career development and training opportunity • Workplace health and safety • Work-life balance
	Performance appraisals	Annually	
	Training programme	As needed	
Local Communities	Donation and financial aid	Regularly	<ul style="list-style-type: none"> • Community development • Social and environmental issue
Investors	Quarterly Financial Result Announcement	Quarterly	<ul style="list-style-type: none"> • Financial performance • Corporate governance • Regulatory compliance
	Media and investor briefing	Regularly	
	Company's website	On-going	
	Annual General Meeting	Annually	

Material Sustainability Matters

The outcome of our materiality assessment in term of the significance of the economy, environmental and social ("EES") impacts to the reporting subsidiaries or their influence on the stakeholder's assessment and decision are illustrated below.

10 material issues had been identified as shown in the matrix below. The X-axis represents EES issues relevant to the stakeholders and the Y-axis denotes the issues material to our reporting subsidiaries. The issues on the top right are considered as the most important to the reporting subsidiaries and stakeholders. Each of these initiatives had been grouped under the relevant sustainability prongs that manage our economy, environmental and social impact.



Sustainability Report (cont'd)

Material Sustainability Matters (cont'd)

Having identified the materiality factors and our key stakeholders, we have mapped out our sustainability priorities and their boundaries and its current year performance as compared to the previous financial years. We commit to increase our value creation for all our stakeholders and to have a positive impact on the environment at large, while managing the Group's risk, leveraging on opportunities and ensuring its long-term financial soundness.

WHAT IS MATERIAL TO US:

ECONOMIC

Product Responsibility and Customer Satisfaction

In line with our Group's vision, it is always our aim to deliver quality products that meet our customer's demand. We place consumer satisfaction, health and safety as one of the top priorities of our company's visions. We understand that non-compliance with the health and safety issue not only will tarnish our Group's reputation but also will impact our customers and community. Therefore, we are always committed toward attaining high standard quality of our products and do not manufacture banned products. We have in place ISO 9001 certification, environmental management system, testing and calibration laboratories and system to ensure we continuously add value to our customer by providing them quality products. In overseas market, we are in compliance with prevailing laws and regulations governing the respective products in the various countries in which they are sold. During FY2022, to the best of our knowledge, there has been no major incident of non-compliance with the regulations in the foreign countries where our products were sold.

Besides the high quality of products, we are also committed to deliver on time and provide good after sales service. Although our customers reach span the world, we have managed to maintain good relationship with them across a multitude of platforms such as through direct inquiry, dedicated servicing of specific customers, company's website and trade exhibitions which we had participated in. Although we are restricted to visit our customers following the spread of COVID-19 and travel bans imposed by many countries in FY2022, but we still maintain close relationship with our customers via phone calls, digital mode such as whatapps, wechat and emails. On-line video meeting with customers were held regularly to ensure their expectation are met and problems are attended to. In order to continually improve our service, we conduct customer survey regularly with our major customers and customers' satisfaction is monitored and tracked closely.

We measure our customers' level of satisfaction with us through an annual customer satisfaction index in areas of quality, service, delivery and cost. Based on our survey result in FY2022, CWF maintained an average of 3.91 points out of 5.00 point on the customer satisfaction score. While CHI recorded an average of 3.53 point out of 5.00 point on the customer satisfaction scores. In regards of customer complaint, CWF received 17 complaints while CHI received 15 complaints from its customer during the reporting financial year. With the result of the survey we understand our strength and weakness better and we will focus on our responsiveness, promptness of delivery and quality of packing, to improve ourselves and serve the customers better in future.

Subsidiary		Customer Satisfaction Rating		
	Target Rating	FY2020	FY2021	FY2022
CWF	4.0	4.03	3.91	3.91
CHI	4.0	4.07	4.07	3.53

Subsidiary		Number of Customer Complaint		
	Target	FY2020	FY2021	FY2022
CWF	0	54	19	17
CHI	0	7	15	15

Sustainability Report (cont'd)

WHAT IS MATERIAL TO US: (CONT'D)

ECONOMIC (CONT'D)

Economic Performance

FY2022 was a challenging yet fruitful year for the Group as it managed to achieve great performance in its financial result. Despite the global market uncertainties and tense relations between US-China, the Group able to create direct economic value of RM657.84 million in the current financial year which represent an increase of 33.80% as compared to RM491.66 million in the year before. The Group managed to capitalize the post pandemic opportunities to fill the gap of the interrupted global supply chain which arose during the worldwide lock down. The profit before tax of the Group surged from RM32.75 million in FY2021 to RM122.21 million in the current reporting year.

In terms of our economic value to our shareholders, we continue to pay dividend at least 40% of our profit after tax to our shareholders. In FY2022, a total of RM20.63 million had been paid out as dividends whilst RM4.31 million had been paid out as dividends in the last financial year. The Group had tighten up its spending on capital expenditure in view of the economic uncertainties where approximately RM4.95 million had been spent for fixed assets in the current reporting period as compared to RM10.94 million in the immediate preceding year. These capital investments are mainly to replace and restore the machineries and equipment to enable the Group to continue its sustainability through its existing production capacity and increases its productivity efficiency.

ENVIRONMENTAL

Waste, Effluent and Emission

We handle effluents and waste in line with Environmental Quality Regulations 2009. We consistently keep track on the volume of effluent generated from our productions and ensure that the critical parameters such as pH value, chemical oxygen demand, suspended solids and other trace elements are within the effluent standard. We have in place our in house waste water treatment plant to treat the hazardous water generated before it is discharged to local water course. This will reduce the burden on public water treatment. During the current financial year approximately RM446,290 had been spent in maintaining the existing waste water treatment plant in CWF. Through these efforts, our wastewater discharge in the current reporting year had complied with the Environmental Quality (Industrial Effluent) Regulations 2009. Our records showed that the quality our wastewater discharge is within the effluent standard required.

Given the nature of our industry, our operations generate scheduled waste which includes amongst other waste streams, waste containing organic or inorganic constitutions and chemical waste. In compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005, all scheduled waste generated are properly stored and transported to licensed contractor, certified by DOE for treatment or recovery. We always aim to recycle more than 50% of scheduled waste generated and will continue our efforts to reduce the waste generation and disposal. During FY2022, it is recorded that the recycling rate of the hazardous generated in CWF and CHI is 48.63% and 85.00% respectively.

Subsidiary	Recycling Rate			
	Target	FY2020	FY2021	FY2022
CWF	50.00%	60.69%	50.00%	48.63%
CHI	50.00%	64.00%	63.00%	85.00%

The recycling rate of CWF recorded in FY2022 was lower as compared to the previous year mainly due to different product mix which was produced in the current financial year as there was more production of thread bar which generate less recycling hazardous waste, are produced during the current financial year. The percentage of recycling hazardous waste reduced in line with the commencement of operation of two new plating production line which influence the increment of non-recycling hazards waste.

Sustainability Report (cont'd)

WHAT IS MATERIAL TO US: (CONT'D)

ENVIRONMENTAL (CONT'D)

Waste, Effluent and Emission (cont'd)

As part of the Group's on-going efforts in preserving and conserving the environment, various measures were undertaken by the Group during the current financial year to minimise the impact of our business has on the environment. We proactively seek to implement practices that will lead to the sustainable use of energy and striking a balance between the waste and effluent generated, given the nature of our business, and the need to preserve the environment. Local exhaust ventilation system will be installed very soon to control air contaminants in the production area.

In view of the nature of our production activities, we are subject to periodical check by Department of Environment (DOE) to ensure we comply with the environmental requirements. During FY2022, there had been no penalty by the authorities for non-compliance with the environmental laws and regulations in our operations in Malaysia.

Energy Consumption

As a responsible business entity, we seek ways to reduce our energy consumption across our business operations as a method of reducing environmental impact. We recognize that optimizing energy consumption across the Group will not only result in cost saving but also reduce the damage to the environment. Therefore, we are committed to ensure energy is not wasted and the consumption is at its optimum level for our operations. Production process has been reviewed to ensure energy isn't being wasted and we are considering the use of high efficiency motors in the production. Besides closely monitoring our energy usage, we are implementing simple measures in our operations such as encourage the use of day light, switching off the light and air-condition during lunch time. The company always tries to cultivate energy saving awareness among the staff as we believe even the small energy saving action will eventually bring substantial difference to our environmental footprint.

Below is the electricity usage of the reporting subsidiaries in Malaysia during FY2022 as compared to FY2021 and FY2020:

Subsidiary	Electricity (kWh)			Target	Energy Intensity (EI) (kWh/MT)		
	FY2020	FY2021	FY2022		FY2020	FY2021	FY2022
CWF	8,086,825	9,092,778	10,600,734	< 500	340	370	361
CHI	13,869,646	16,709,064	14,677,871	NA	405	369	400

Electricity consumption during the FY2020 and FY2021 are lower due to our production was operated with limited capacity during MCO.

In tandem with the economic and population growth, human activities contributing to the greenhouse gas emission which leads to global warming and climate change. The Group is concerned about the severity of the greenhouse impact on global warming. In order to reduce the consumption of electricity, the Group plans to install solar panels in two of its major subsidiaries which are scheduled to commence utilization in the next financial year. With the utilization of solar power, we aim to save on utilities cost and at the same time contribute towards a more sustainable and low carbon community.

Local exhaust ventilation system will be installed very soon to enhance the air filtration and improve the air quality in the production area and thus reduce workers exposure to airborne contaminants.

Water Management

Water is one of our most used natural resources in the processes of our production especially in the plating process. Water is used for degreasing, rinsing, pickling, electroplating and passivation during plating process. As such, our focus has always been on finding ways to reduce water wastage. As part of our effort to increase water usage efficiency, we continuously monitor and track our water consumption.

Sustainability Report (cont'd)

WHAT IS MATERIAL TO US: (CONT'D)

ENVIRONMENTAL (CONT'D)

Water Management (cont'd)

The followings table provides the information on our water consumption in the reporting subsidiaries in Malaysia during the FY2022 as compared to FY2021 as well as FY2020:

Subsidiary	Unit of Measurement	FY2020	FY2021	FY2022
CWF	m3	252,848	436,478	401,770
CHI	m3	50,431	57,026	54,715

The higher water consumption recorded by CWF in FY2021 is mainly due to set up of a new plating line to cater for higher production volume.

SOCIAL

Anti-Bribery and Corruption Policy

Chin Well Group has adopted an anti-bribery and corruption policy since June 2020 when the amendment to the Malaysian Anti-Corruption Act 2009, the Corporate Liability Provision known as S17A, came into effect. An independent consultant had been engaged to advise the Group in the implementation of the adequate procedures in accordance with the corporate liability provision. Training had been held to the existing staff and will be conducted for the new employees to create awareness of the risk and implication of fraud, bribery and corruption. The briefing also reminds the employees to discharge their duties with due care where breaching their fiduciary duties may lead to their dismissal. The following practices are in place to ensure adequate control measures with the aim to prevent the occurrence of corruption in the Group.

1. Anti-corruption programmes such as to include a corruption risk assessment in its annual risk register;
2. Training of its staff on corruption prevention whenever necessary;
3. Integrity pacts with its vendors where they commit to carry on business that is bribe-free, and with a provision stating that they will be terminated if they do not comply;
4. Code of Business Ethics to regulate the behaviour of its staff, management and directors;
5. Policy under the Whistleblower Protection Act 2010 to protect the whistleblower; and
6. Revise or update relevant internal standard operating procedures on bribery and how to prevent or avoid it;

Review had been carried out to assess the status and effectiveness of the implementation of the adequate procedures in the respective subsidiaries. Enhancement had been carried out in the areas weaknesses are identified.

Whistle Blowing Policy

In addition to the anti-bribery and corruption policy, Chin Well Group has in place a whistle-blowing policy to allow our employees the mechanism to raise concerns on possible improprieties in financial reporting, fraudulent acts and other such irregularities without fear of reprisals. The policy was last updated in June 2020 in conjunction with the effective of Corporate Liability Provision, Sec17A of amendment to Malaysian Anti-Corruption Act (MACC) 2009. The mechanism was endorsed by our Audit Committee and reports or concerns of improprieties are made directly to the Chairman of the Audit Committee. In FY2022, there was no-known whistle blowing case in the Group.

Sustainability Report (cont'd)

WHAT IS MATERIAL TO US: (CONT'D)

SOCIAL (CONT'D)

Occupation Safety & Health

The Group strives to ensure a safe and healthy working environment for all its employees. As such, we adhere strictly to all stipulated regulations and guidelines in the countries we operate in with the aim to minimize the work-related injury which leads to positive workplace morale and ultimately to higher quality products.

The Health and Safety Committee is formed in the respective reporting subsidiaries to ensure health and safety issues are being addressed. The committee members are elected by way of management nomination and employee selection, based on criteria such as daily work scope and ability to handle health and safety issues. The committee regularly monitors and reviews our safety practices and procedures. On-job trainings were conducted regularly to create safety awareness among the workers to ensure the daily operation works and handling of chemicals and machineries are always been carried out in a safe manner.

Internal safety audit were carried out on quarterly basis to ensure that the safety equipment and machineries are properly functioning and are well maintained. All workers have to wear safety shoes and ear plug at all times on the production floor. Workers are provided with safety and health training from time to time and we track and record all the industrial accidents and injuries which happen during the current reporting financial year. Our overall accident frequency rate is disclosed in the table below, and we continue to endeavour to keep these rates as low as possible.

Subsidiary	Number of accident cases			
	Target	FY2020	FY2021	FY2022
CWF	0	2	1	2
CHI	0	2	1	0

When the COVID-19 hit Malaysia community in year 2020 and 2021, the Health and Safety Committee carried out regular inspections in the factories premises to ensure the SOP are always adhered by the workers and to prevent the spreading of the coronavirus in the work place. Regular sanitizing in common areas, body temperature screening facility had been installed at the main entrance of our premises. Periodic COVID-19 test had been conducted for all our staff. Briefing on procedures and preventive measures of COVID-19 at the work place had also been conducted regularly to the workers. Despite uplift of some of the SOPs by Kementerian Kesihatan Malaysia (KKM) in year 2022, we still continue the practice of the SOPs such as wearing facemask in the work place and social distancing.

During the current financial year, CWF and CHI had engaged an approved audiometric professional under the supervision of Occupational Health Doctor to perform audiometric test on its production workers to assess the workers' hearing function. Appropriate follow up actions had been taken on the workers whose hearing is found to be impaired resulting from the work environment. Implementation of noise exposure control had been progressively being implemented in the production area to protect the worker's hearing from further impair. In addition, training on the proper usage of the personal hearing protector had been scheduled from time to time to teach the workers the correct way of wearing the protector.

Upholding Human Rights

In regards to upholding human rights, our Group always supported international accepted human rights principles such as those related to child labour and human trafficking. We are in compliance with the prevailing Labour Law in Malaysia throughout the current financial year.

We do not engage with business partners that are known to use unethical means in their business processes. We also respect and protect the rights of our own employees and the freedom of association and collective bargaining. A Collective Agreement was signed between CWF and Metal Industry Employees Union (MIEU) with the aim to protect the rights of the employees. Nevertheless, we have not received any reports of human rights violation by the Group in the current reporting year.

Sustainability Report (cont'd)

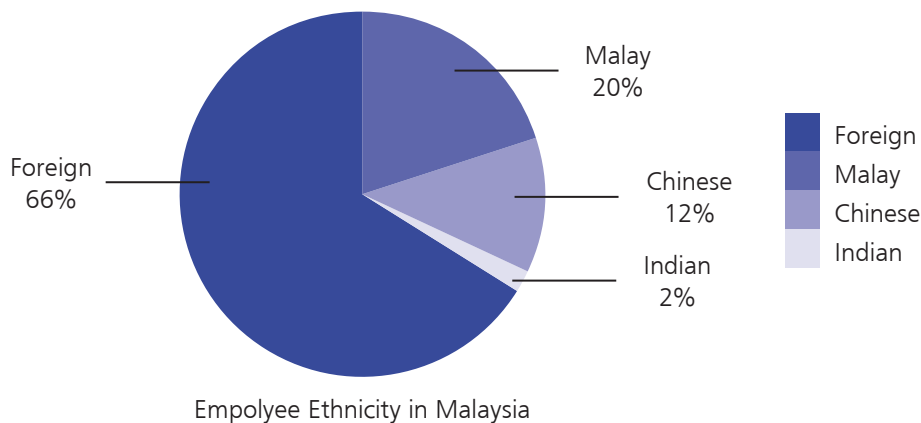
WHAT IS MATERIAL TO US: (CONT'D)

SOCIAL (CONT'D)

Diversity

The Group does not have a written diversity policy in workplace but it is believed that a well-managed, diverse work force expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers throughout the world. We maintain a work environment free from discrimination and we comply with all applicable laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members and staff.

Currently, 88% of our work force in the reporting subsidiaries is male in view of the work nature, nevertheless we will consider female recruitments if they are appropriate for the positions. Whilst the current ethnicity in the work place in Malaysia are as follow:



The high percentage of foreign ethnicity was mainly due to the production work force consists majority of foreign workers.

Labour Practice

Sports and recreational activities such as badminton games used to be organized among the workers to promote healthier living, harmony, better working relationships, co-operations and teamwork amongst the employees. However, due to the pandemic of COVID-19, the recreation activities and social gatherings for the staff were restricted during the current financial year as a precautionary measure to eliminate the spread of COVID-19 at the workplace.

In line with our Group policy, we also provide financial education support for the children of our qualified employee.

Training

The Group placed significant emphasis on upgrading its employee's competency. Beside on the job training, we also conduct annual review on the employees training needs to determine the training that are required by each employee to equip them to perform their job more efficiently and for their future career development. Internal trainings were conducted during the current financial year and selected employees were also sent for external training programme from time to time.

Below is the target and training per employee of the respective subsidiaries during the current reporting year.

Subsidiary	Target (employee/hour)	FY2022 (employee/hour)
CWF	1.4	3.29
CHI	2.0	1.72

Statement On Risk Management And Internal Control

Pursuant to Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”), the Board of Directors (“Board”) of Chin Well Holdings Berhad is pleased to provide the following statement on risk management and internal control of the Group, which has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Internal Control Guidelines”).

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group’s systems of internal control and for reviewing the adequacy and integrity of those systems.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of this annual report. The adequacy and effectiveness of this process have been continuously reviewed by the Board and are in accordance with the Internal Control Guidelines.

The Group adopts a written internal control framework covering the major operating procedures in the major subsidiaries. The components of internal controls which have been identified in the framework include control environment, risk assessment, control activities, information and communication and its monitoring. The system of internal control under the framework covers not only financial controls but also operational controls and risk management procedures. In view of the limitations inherent in any system of internal controls, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s business and corporate objectives. The system can therefore provide reasonable, but not absolute assurance, against material misstatement, loss or fraud. The framework is subject to review from time to time to accommodate process changes or to meet new business requirements.

RISK MANAGEMENT

The Board and management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks. Management proactively identifies significant risk on a regular basis with design and implementation of suitable internal controls. The internal auditors were appointed to assist in the facilitation of risk assessment updates on certain subsidiaries in the Group where high level risk assessment exercise is carried out annually and the update shall be reported to the Audit Committee accordingly.

The key aspects of the risk management process being carried out during the financial year under review are as follows:

- Departmental heads of the major local subsidiaries have identified the critical risk areas and updated the risk profiles of their departments;
- The respective departmental heads have prepared a risk register detailing significant risk issues of their departments, existing controls and additional control measures were updated and implemented to manage the risks;
- Risks are classified into two categories, namely Non-controllable risk which is catastrophic in nature and Controllable risk, comprising the risks arise due to the internal factors;
- The risks identified were assessed and rated based on their likelihood of occurrence and severity of impact;
- During the financial year under review the existing risks in the major operational areas have been reassessed accordingly. Adequate controls are in place to cope with the challenging business environment following the outbreak of COVID-19;

Statement On Risk Management and Internal Control (cont'd)

RISK MANAGEMENT (CONT'D)

- Top management of the respective subsidiaries i.e. the general manager, were provided with the risk register reports for review, discuss and monitor the risk profiles and implementation of action plans wherever necessary;
- The management is responsible to continuously monitor the implementation of risk mitigation action plan to a level acceptable to the Board. Risk issues were discussed in the management meeting whenever required and existing controls are re-assessed and strengthened from time to time;
- A copy of the risk register of the subsidiaries were forwarded to the internal auditors for compilation;
- The internal auditors have summarised and updated the top ranking risks identified by the major subsidiaries in Malaysia and presented it to the Audit Committee, highlighting the new emerged or significant risks facing by each major subsidiary. Audit Committee will ensure there are sufficient controls in place or management action plan to mitigate the consequences;
- The Audit Committee has taken the risk report into consideration for future audit purposes;
- The Audit Committee consulted the internal auditors for further improvement of the risk management process of the group from time to time.

INTERNAL AUDIT

The Board acknowledges the importance of the internal audit function and has outsourced this function in major subsidiaries in Malaysia to an independent consulting firm while the internal audit function in the Vietnam subsidiary is performed by an internal team. The internal auditor adopts a risk-based approach in developing its audit plan which includes reviewing key processes of the core operating units of the Group based on their risk profile. The annual audit plan which includes audit approach, past and proposed auditable areas and scope of audit reporting, will be tabled to the Audit Committee for approval. The Audit Committee will review, discuss and decide on the audit areas for the Group for the financial year ahead. The audit plan will be revised whenever necessary.

The independent reports on the state of internal control of the various core operating units are tabled directly to the Audit Committee twice a year and the audit findings were discussed at the Audit Committee meeting. Internal auditors will advise management on areas for improvement and subsequently initiate follow-up actions to determine the extent of implementation of their recommendations. The Audit Committee reviews the work of the internal auditors, their findings and recommendations to ensure that it obtains the necessary level of assurance with respect to the adequacy of the internal controls.

During the financial year ended 30 June 2022, the internal auditors have conducted reviews on marketing in particularly credit control and procurement functions of two major subsidiaries in Malaysia. In Vietnam, the internal audit team had reviewed the compliance of their standard operating procedures in various departments within the subsidiary. A number of minor internal control weaknesses were identified during the audit, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

INTERNAL CONTROL

Apart from risk management framework and internal audit function, the Group has put in place the following key elements of internal control:-

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- All the major subsidiaries have been certified with MS ISO 9001:2015 Quality Management System;

Statement On Risk Management and Internal Control (cont'd)

INTERNAL CONTROL (CONT'D)

Apart from risk management framework and internal audit function, the Group has put in place the following key elements of internal control:- (cont'd)

- Surveillance Audit will be conducted annually to ensure the compliance of the MS ISO 9001:2015 requirements;
- A set of documented internal policies and procedures for operational and human resource management, which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance for effective monitoring and decision making;
- Regular management meetings are held in each of the Group's business operations to discuss operational issues of the business. Action-plans are constructed for issues identified during the meeting;
- Management accounts with extensive analysis and cash flow reports are provided to the executive directors to facilitate reviewing and monitoring of the financial performance and cash flows of the major subsidiaries;
- Board meetings are held on quarterly basis to discuss on quarterly financial statements and issues that warrant the Board's attention. Actual financial result of the Group compared against its budget will be reviewed by the Board;
- Group budget was presented and approved by the Board;
- Board's approval via board resolution is required for significant capital expenditures with pre-determined limit, significant business venture, disposal of significant investment of the Group and provision of corporate guarantee for financing facilities granted from financial institutions;
- Regular visits to operating units by Executive Directors and senior management;
- The professionalism and competence of the Group's human resources are maintained through established recruitment process, performance appraisal system and training;
- Training and development programmes are attended by the staff to enhance their competency skills.

The Board has also received assurance from the Group managing director and Group finance director that the risk management and internal control system of the Company and its subsidiaries are operating adequately and effectively, in all material aspects, based on the risk management and internal control system adopted.

Based on the above, the Board confirms that there is an ongoing risk management process established, the system of internal control are satisfactory and appropriate to identify, evaluate, and manage significant risks to effectively mitigate the risks that may impede the achievement of the Group's business and corporate objectives.

The Board is cognizant of the importance of maintaining appropriate controls and will continue to review the adequacy, integrity and implementation of appropriate internal controls system.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the annual report for the financial year under review. Their review was performed in accordance with Paragraph 15.23 of the MMLR of Bursa Securities and the Audit and Assurance Practice Guide 3 ("AAPG3") issued by the Malaysian Institute of Accountant for inclusion in the Annual Report of the Group for FY2022. From the review conducted, the external auditors have reported that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosure required by paragraphs 41 and 42 of the Internal Control Guideline nor is the Statement factually inaccurate.

This Statement is issued in accordance with a resolution of the Directors dated 30 September 2022.

Audit Committee Report

MEMBERSHIPS

The present Audit Committee (“the Committee”) of the Company consists of three (3) members, comprising wholly Independent Non-Executive Directors and this meets with the requirements of paragraph 15.09(1) (b) of the MMLR of Bursa Securities. The members of the Committee and their meeting attendance during the financial year ended 30 June 2022 are as follows:-

Name	Designation	Directorate	Number of Meetings Attended
Ang Seng Oo	Chairman	Independent & Non-Executive	5/5
Datin Sharmin Fazlina Binti Mohd Shukor	Member	Independent & Non-executive	5/5
Low Yeaw Seng	Member	Independent & Non-Executive	5/5

TERMS OF REFERENCE

The term of reference of the Committee is available on the Company’s website (www.chinwell.com.my).

SUMMARY OF WORK

The works carried out by the Committee during the financial year ended 30 June 2022 are summarized as follows:-

1. Financial Reporting

- a. On 15 September 2021, the Committee reviewed the unaudited consolidated financial results for the 4th quarter of the financial year ended 30 June 2021 and recommended to the Board for approval.
- b. On 06 October 2021, the Committee reviewed the Company’s annual audited financial statements for the financial year ended 30 June 2021 and recommended to the Board for approval.
- c. On 26 November 2021, 23 February 2022 and 27 May 2022 respectively, the Committee reviewed the unaudited consolidated financial results for the 1st, 2nd and 3rd quarters of the financial year ending 30 June 2022 and recommended to the Board for approval.

2. External Audit

- a. On 15 September 2021, the Committee held a private session with the External Auditors without the presence of the Executive Directors and the Management in relation to the financial audits of the Group for the financial year ended 30 June 2021. On the same day, the External Auditors also presented their audit findings together with the Group’s results to the Committee.
- b. On 06 October 2021, the Committee deliberated the External Audit Completion Report in relation to relevant disclosures in the annual audited financial statements together with the management letter for the financial year ended 30 June 2021.
- c. On 06 October 2021, the Committee held a private session with the External Auditors without the presence of the Executive Directors and the Management in relation to the financial audits of the Group for the financial year ended 30 June 2021.
- d. On 06 October 2021, the Committee had carried out an annual assessment on the performance of the External Auditors via a set of questionnaires. Based on the assessment, the Committee was satisfied with the independence, competency and the overall performance of the External Auditors and recommended them to the Board for re-appointment as External Auditors for the financial year 2022.

Audit Committee Report (cont'd)

SUMMARY OF WORK (CONT'D)

2. External Audit (cont'd)

- e. On 27 May 2022, the External Auditors tabled to the Committee the External Audit Plan for the financial year ending 30 June 2022 which include amongst others the engagement responsibilities and reporting responsibilities, the audit approach, areas of audit emphasis, legal updates, engagement team, proposed reporting schedule and proposed fees.

3. Internal Audit for subsidiaries in Malaysia

- a. On 24 May 2021, the Committee reviewed with the internal auditors, the internal audit plan for the financial year ending 30 June 2022 to ensure adequate coverage of key functional areas and activities of the Group in Malaysia.
- b. On 06 October 2021, the Committee reviewed the Statement of Risk Management and Internal Control and recommended to the Board.
- c. On 23 February 2022 and 27 May 2022 respectively, the Committee reviewed the internal audit reports tabled by the internal auditors. The internal audit reports contained the audit findings on the procurement control and marketing functions of two major subsidiaries, audit recommendations provided by the internal auditors and management responses to those findings and recommendations.
- d. On 23 February 2022 and 27 May 2022 respectively, the Committee also reviewed with the internal auditors, the progress reports on the status of implementation by the Management of the audit recommendations.
- e. On 27 May 2022, the Committee reviewed the Risk Assessment Report tabled by the internal auditors.
- g. On 27 May 2022, the Committee reviewed with the internal auditors, the internal audit plan for the financial year ending 30 June 2023 to ensure adequate coverage of key functional areas and activities of the Group in Malaysia.
- h. On 27 May 2022, the Committee carried out an assessment on the adequacy of the scope, function and effectiveness of the outsourced internal audit function. The Committee concluded that the outsourced internal audit function of the Group has been adequate. With that, the Committee recommended the outsourced internal auditors to the Board for re-appointment for the financial year ending 30 June 2023.

Internal Audit for subsidiary in Vietnam

- a. On 29 August 2022, the Committee reviewed the internal audit plan in respect of the subsidiary in Vietnam for the financial year ended 30 June 2023 prepared by the in-house internal auditors.
- b. On 29 August 2022, the Committee reviewed the internal audit report consist of major findings on the audited areas, audit recommendations, management responses and the proposed corrective actions as prepared by the in-house internal auditors.

4. Section 17(A) of Malaysian Anti-Corruption Commission (MACC) Amendment Act 2018

- a. On 06 October 2021, the Committee reviewed the follow-up report on the implementation of the adequate procedures in relation to corporate liability provision.

Audit Committee Report (cont'd)

SUMMARY OF WORK (CONT'D)

5. Related Party Transaction

- a. The Committee reviewed the recurrent related party transactions of revenue or trading nature on quarterly basis during the Committee meetings.
- b. On 15 September 2021, 26 November 2021, 23 February 2022 and 27 May 2022, the Committee reviewed the recurrent related party transactions entered by the respective subsidiaries and ensure that the RRPT amounts are within the threshold in the shareholders mandate.
- c. On 06 October 2021, the Committee reviewed the adequacy of the Group's existing procedures and processes to monitor, track and identify recurrent related party transactions and to form an opinion for inclusion in the Circular to Shareholders in relation to the Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

6. Annual Report

- a. On 06 October 2021, the Committee reviewed and recommended the following contents of the annual report for financial year ended 30 June 2021 for the Board approval:
 - i. Statement on Risk Management and Internal Control;
 - ii. Audit Committee Report.

7. Debts Settlement

On 15 September 2021, 06 October 2021, 08 October 2021 and 26 November 2021, the Committee deliberated on the recoverability of trade receivables and the proposed settlement of the amount owing by NBH Service Centre Sdn Bhd to Chin Well Service Centre Sdn Bhd. (CWSC), a wholly-owned subsidiary of the Company; the rationale and benefits of the proposed settlement; the transfer of 45% equity interest and the assignment of debts from the debtor's nominees in the two (2) property investment companies to CWSC; the prospects of the lands in the aforesaid property investment companies; the effects of the proposed settlement, the salient terms of settlement agreement as briefed by the solicitors; and the opinion of the independent adviser in relation to the proposed settlement so as to ensure that the proposed settlement is in the best interests of the Group, fair, reasonable and on normal commercial terms and not detrimental to the interests of the non-interested shareholders of the Company.

INTERNAL AUDIT FUNCTION

The Board recognises that an internal audit function is vital in ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. In this respect, the Company had outsourced the internal audit function to the external professional firm except for the internal audit function of the Company's subsidiary in Vietnam which was performed in house.

The head of internal audit is a qualified practitioner and a member of the Malaysian Institute of Accountants (MIA) and member of Institute of Internal Auditors Malaysia. The internal audit team had participated in various continuing professional development programmes which are relevant to their work function during the financial year.

The Committee sets the scope of the internal audit, reviews and approves the annual audit plan and internal audit's financial budget. The internal auditors report directly to the Committee.

The internal auditors independently review the internal control of key functional areas and business activities of the Group according to the annual internal audit plan approved by the Committee. The internal audit function is guided by the International Professional Practice Framework and adopts risk-based approach in preparing its audit strategy and plan based on the risk profiles of the major business units of the Group in Malaysia. The Committee reviews the risk monitoring and compliance procedures of the Group to obtain the level of assurance required by the Board. The Committee presents its findings to the Board on a half yearly basis or earlier as appropriate.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

During the financial year ended 30 June 2022, the internal auditors had reviewed the systems of internal control on procurement and marketing of two subsidiaries and had assisted the Committee in identifying areas for improvements, analyzing the issues and made their recommendations based on risk ratings to ensure adequate and effective systems are in place. The internal auditors had also carried out follow-up reviews of findings reported in prior financial quarters. Additionally, the internal auditors had facilitated the management of the risk assessment exercise and report to the Committee what are the Group's risks and to consider revising the Internal Audit Plan accordingly, if necessary.

The total cost incurred in managing the internal audit function of the Group for the financial year ended 30 June 2022 was RM 19,080.

Further details on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control section of this Annual Report.