

CHIN WELL HOLDINGS BERHAD
Registration No. 199501042347 (371551-T)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE 29TH ANNUAL GENERAL MEETING OF CHIN WELL HOLDINGS BERHAD (“**CWHB**” OR “**THE COMPANY**”) 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 WEDNESDAY, 27 NOVEMBER 2027 AT 11.00 AM

Key matters discussed at the 29th AGM are summarised as follows:-

1. CHIN WELL adopts the following strategies 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. (page 11 of AR 2025)

Please elaborate on the Group’s progress in implementing these strategies over the past five years:

- (a) How has the Group’s defect rate evolved? Has there been measurable improvement toward the “zero defects” goal?

Answer:

The common cause for defects in our products are due to the breakage or the mould been worn-out during mass production, unnecessary water or vapour contact and human mistakes. In order to achieve a “zero defect” goal, tight quality control procedures had always been implemented by our Quality Assurance department. This includes a combination of inspection, testing, statistical process control, quality management system, and continuous improvement of the production process to ensure that our products meet standards. The complete procedure includes the inspection of raw materials, conducting in-process checks, testing of finished products as well as analysing customer feedback.

Quality Standard that aligns with customer expectations and industry regulation are clearly defined. All SOPs, work instructions and quality standards are accessible to all our operators. We practise “Quality at the Source”, where operators are made aware of and become responsible for the quality of their own work, and will flag defects as they occur. Regular inspections and testing are performed at various stages of the production process to detect and correct defects early. The points in the process where failure are most critical are identified and more inspection will be focused on these areas. For example, QA will randomly check the production floor to ensure that operators are carrying out quality checking routines in accordance with SOPs. All products will go through the QA’s final inspection to eliminate defective goods from our warehouse. With our integrated ERP computer system and scrap management system, defects can be easily monitored. In addition, corrective and preventive actions are in place to address problems that have occurred to ensure that they do not reoccur. Extra training is conducted regularly and SOPs are revised whenever necessary for continuous improvement.

Lastly, we have our Quality Improvement Team members review and discuss quality performance and the direction of the company's manufacturing capability every 6 months. In the past five years, our defect rate for fastener division has been reduced from 0.90% in FY2021 to 0.69% in FY2025. The defect rate for wire division increased marginally from 0.90% in FY2021 to 1.14% in FY2025. The increase in defect rate was due to the testing of new raw material in production and it is within the acceptable range.

- (b) How has the Group's product portfolio developed in terms of contribution from new or differentiated products?

Answer:

We had diversified our products by widening our product ranges through variations in size, dimensions, and specific measurements. From time to time, we had customised the specifications of products to fulfil the requirements of diverse customers, both existing and/or new. These strategies enabled us to capture a wider share of the market. Offering comprehensive selections of products also fostered stronger relationship with customers and bring in repeat orders. In addition, product diversification had also reduced the risk associated with relying on a narrow range of products especially during market fluctuations.

However, due to the nature of our products, where we have thousands type of fastener products in our portfolio, we are unable to quantify the contributions from each of these products.

- (c) How has the Group's geographic or customer base diversified?

Answer:

The Group supplied its products to various sectors in the world, the majority to Europe, North America and the local market. The number of our customers in these regions have increased over the years. They are mostly wholesalers who sell to their respective industrial sectors such as agriculture, vessel, construction, automotive, etc. Moving forward, we intend to focus more products for the Do-It-Yourself (DIY) sector, and aim to balance the overall revenue during market volatility by ensuring that a downturn in the industrial sector will be potentially offset by better performance in DIY and vice versa. In addition, we also plan to sell directly to manufacturers which now only contribute to a small percentage of the Group's revenue.

2. The Group recorded a loss before tax of RM3.8 million in FY2025 despite a 9.6% increase in revenue.

- (a) What turnaround strategies are being implemented to restore profitability in FY2026?

Answer:

The Group recorded a loss before tax of RM3.8 million in FY2025. The reasons are mainly attributable to the overall unfavourable global political sentiment. The policies implemented by the Trump administration such as tariffs and immigration policies had caused disruption which impacted not only the US

market but also the world's demand and supply chain. In addition, the strengthening of MYR against USD during the year had also caused higher unrealised forex loss to the Group. These are external factors which were beyond our control.

As mentioned in 1 (c) above, in FY2026, the Group will focus more in the DIY sector and expects this sector to be the biggest profit contributor to the Group.

- (b) What cost control measures are in place to reduce production, inventory and overhead expenses?

Answer:

The following cost control measures are in place to reduce the production cost of the Group:

- *Installation of solar panels to reduce electricity cost*
- *Assess the energy consumption of old machineries and replace it with more energy-efficient machineries and equipment*
- *Optimize electrical circuit layouts to reduce energy loss and to enhance overall efficiency*
- *Implement water reuse in certain production processes to minimise fresh water consumption and water cost*

As regards inventory, the fastener and wire industry do not normally reduce production and inventory during low economic situations. When the market is slow, we focus on machine maintenance, housekeeping and internal upgrades. We see this occasion as an opportunity for us to review, analyse the current market conditions and forecast future demand, building up inventory and prepare for eventual market recovery. When the economic situation recovers, we will be ready to capitalise on opportunities and will concentrate all our efforts into manufacturing and delivery.

- (c) Has management evaluated alternative revenue streams or value-added services that could mitigate margin erosion?

Answer:

As mentioned in 1 (c) above, the DIY sector is one of our alternative revenue generators. Currently, the Group is working hard to expand its market share in the DIY sector which is expected to be the main contributor to the Group's future performance.

3. Total number of customer complaints increased to 36 in FY2025 from 30 in FY2024. (page 41 of AR 2025)

- (a) What are the main reasons for the increase in customer complaints?

Answer:

The main reasons of customer complaints are attributed to human errors.

- (b) What corrective actions are being taken to reduce the complaint rate and improve customer satisfaction?

Answer:

Immediate containment will be taken whenever a complaint from a customer is received. After the immediate issue is handled, an analysis will be conducted to identify the root cause of the complaint and relevant corrective actions will be taken to prevent the same problems from recurring.

From our investigation, most customer complaints are due to human errors. Due to the nature of work, we largely rely on foreign workers in our production workforce and communication between foreign and local workers is a challenge. Culture and language barriers of foreign workers can impact communication in the workplace and affect the efficiency of production. In order to uphold efficiency, we continuously conduct frequent and repetitive training to maintain or improve the awareness and skill of all our workers. Procedures and documentation are improvised, wherever necessary.

In addition, regular inspection will be carried out in the warehouse and the related storage areas, to ensure that adequate repair and maintenance are being undertaken on time to prevent our products from being exposed to rain or water to prevent rust of the products.

4. Water consumption increased in FY2025 despite the water reuse initiatives implemented at CWFV. (page 45 of AR 2025)
- (a) How effective has the water reuse initiative at CWFV been in reducing freshwater consumption?
- (b) What percentage of total water used in production currently comes from recycled or reused sources?

Answer for (a) & (b):

Water reuse is only being carried out in CWFV as there is larger space in the Vietnam production plant for the storage of used water. In FY2025, based on our estimation, about 39% of the water utilised in production in CWFV come from reused source and the reused water is mainly use in the pickling and plating process.

5. (a) What is the current production status for DIY fasteners.
- (b) DIY segment's profit margin is higher, is it profitable last year?

Answer for (a) & (b):

Currently, the Group does not have a dedicated production line for the DIY segment, as the only difference lies only within packaging. The Group's manufacturing facilities for the Industrial product sector are located in Malaysia and Vietnam, while the DIY products are manufactured in Vietnam due to the labour-intensive nature of packing and the direct-to-consumer sales model. The DIY segment is more popular in the North America and Europe, and sales typically increase during economic downturns as consumers spend more time on home improvements and seek cost savings through

do-it-yourself solutions. We aim to grow the DIY segment to help mitigate the decline in the Industrial sector.

However, expanding into the DIY segment is challenging as it involves a lengthy onboarding process. Large customers in North America and Europe require plant audits, ESG compliance assessments and other evaluations. Only upon satisfactory results will they proceed with trial orders before placing actual purchase orders. At present, the DIY segment contributes a small percentage about 17% of the Group's total revenue, but we aspire to increase this to 30%–40% in the future.

We are hopeful that, by next year, more new DIY customers; some of whom are already at the final stages of the qualification process will come on board to support the Group during this challenging economic environment. Although the DIY segment requires more manpower and incurs higher operating costs, it also commands higher selling prices and ultimately yields stronger profit margins.

The DIY segment has consistently been profitable. We are hopeful that profitability will improve in the next financial year, supported by higher DIY sales and increased demand from Northern Europe.