



# NEW HOONG FATT HOLDINGS BERHAD

(Registration No. 199701010213 (425709-K))

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## RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2020

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 30.06.2020	Quarter ended 30.06.2019	Year to date ended 30.06.2020	Year to date ended 30.06.2019
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		<b>46,457</b>	<b>72,196</b>	<b>103,822</b>	<b>134,311</b>
Cost of sales		(38,832)	(57,647)	(84,586)	(107,745)
Gross profit		7,625	14,549	19,236	26,566
Other operating income		6,667	4,341	9,504	8,074
Operating expenses		(11,879)	(13,076)	(29,119)	(25,749)
Finance costs		(232)	(452)	(527)	(1,000)
<b>Profit/(Loss) before tax</b>		<b>2,181</b>	<b>5,362</b>	<b>(906)</b>	<b>7,891</b>
Tax credit/(expense)	19	260	(1,048)	(176)	(1,572)
<b>Net profit/(loss) for the period</b>		<b>2,441</b>	<b>4,314</b>	<b>(1,082)</b>	<b>6,319</b>
Other comprehensive income/(loss):					
Foreign currency translations, net of tax		717	182	(134)	139
<b>Total comprehensive income/(loss) for the period</b>		<b>3,158</b>	<b>4,496</b>	<b>(1,216)</b>	<b>6,458</b>
Profit/(Loss) attributable to owners of the parent		2,441	4,314	(1,082)	6,319
<b>Total comprehensive income/(loss) attributable to owners of the parent</b>		<b>3,158</b>	<b>4,496</b>	<b>(1,216)</b>	<b>6,458</b>
<b>Earnings/(Loss) per share attributable to owners of the parent</b>	25				
Basic (sen)		2.95	5.22	(1.31)	7.64
Diluted (sen)		N.A.	N.A.	N.A.	N.A.

*(The Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2019)*

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		344,231	350,229
Right-of-use assets		58,798	58,948
Investment properties		22,000	22,000
Other investments		130	130
Intangible asset		14	5
		425,173	431,312
<b>Current Assets</b>			
Inventories		50,691	54,660
Trade receivables		35,013	48,835
Other receivables, deposits & prepayments		9,238	9,001
Current tax assets		522	269
Cash and bank balances		40,860	22,567
		136,324	135,332
<b>Total Assets</b>		<b>561,497</b>	<b>566,644</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		82,672	82,672
Reserves			
<u>Non-Distributable:</u>			
Revaluation reserve		128,433	128,433
Exchange translation reserve		97	231
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		250,973	252,055
		379,550	380,766
<b>Total Equity</b>		<b>462,222</b>	<b>463,438</b>
<b>Non-Current Liabilities</b>			
Borrowings (interest bearing)	21	3,214	3,071
Employment benefit obligation		343	296
Lease liabilities		317	272
Deferred tax liabilities		40,064	41,107
		43,938	44,746
<b>Current Liabilities</b>			
Trade payables		6,915	11,404
Other payables & accruals		10,083	10,997
Borrowings (interest bearing)	21	37,331	35,274
Lease liabilities		374	316
Current tax liabilities		634	469
		55,337	58,460
<b>Total Liabilities</b>		<b>99,275</b>	<b>103,206</b>
<b>Total Equity and Liabilities</b>		<b>561,497</b>	<b>566,644</b>
Net assets per share attributable to owners of the parent (RM)		5.59	5.61

*(The Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2019)*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year to date ended 30.06.2020 RM'000</b>	<b>Year to date ended 30.06.2019 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
(Loss)/Profit before tax	(906)	7,891
Adjustments for:-		
Amortisation and depreciation	17,393	17,446
Depreciation of right-of-use assets	881	247
Bad debts written off	-	-
Interest income	(138)	(138)
Interest expense	511	994
Interest on lease liabilities	16	6
Inventories written down	165	112
Net gain on disposal of property, plant and equipment	(233)	(453)
Property, plant and equipment written off	3	-
Provision for employment benefit obligation	43	47
Provision of impairment losses on trade receivables	664	134
Unrealised gain on foreign exchange differences	(58)	(896)
Operating profit before changes in working capital	18,341	25,390
Net change in current assets	17,612	5,031
Net change in current liabilities	(6,308)	(444)
Tax paid	(1,304)	(2,130)
<b>Net cash from operating activities</b>	28,341	27,847
<b>Cash Flows From Investing Activities</b>		
Interest received	138	138
Proceeds from disposal of property, plant and equipment	252	497
Purchase of property, plant and equipment	(11,376)	(12,922)
Purchase of intangible asset	(12)	-
<b>Net cash used in investing activities</b>	(10,998)	(12,287)
<b>Cash Flows From Financing Activities</b>		
Interest paid	(511)	(994)
Net drawdown/(repayment of) from bank borrowings	1,712	(7,096)
Repayment of lease liabilities	(264)	(253)
<b>Net cash from/(used in) financing activities</b>	937	(8,343)

**CONSOLIDATED STATEMENTS OF CASH FLOWS** (continued)

	<b>Year to date ended 30.06.2020 RM'000</b>	<b>Year to date ended 30.06.2019 RM'000</b>
Net increase in cash and cash equivalents	18,280	7,217
Effects of exchange rate fluctuations on cash & cash equivalents	13	(784)
Cash and cash equivalents at beginning of the financial period	22,567	21,527
<b>Cash and cash equivalents at end of the financial period</b>	<b>40,860</b>	<b>27,960</b>
 <b>Cash and cash equivalents comprise of:</b>		
Cash and bank balances	40,860	27,960
	<b>40,860</b>	<b>27,960</b>

*(The Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2019)*

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					Total Equity RM'000
	Non-distributable			Distributable		
	Share capital RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	
As at 1 January 2019	82,672	128,433	47	(162)	245,457	456,447
Profit for the financial period	-	-	-	-	6,319	6,319
Foreign currency translations, net of tax	-	-	-	139	-	139
Total comprehensive income	-	-	-	139	6,319	6,458
<b>As at 30 June 2019</b>	<b>82,672</b>	<b>128,433</b>	<b>47</b>	<b>(23)</b>	<b>251,776</b>	<b>462,905</b>
As at 1 January 2020	82,672	128,433	47	231	252,055	463,438
Loss for the financial period	-	-	-	-	(1,082)	(1,082)
Foreign currency translations, net of tax	-	-	-	(134)	-	(134)
Total comprehensive loss	-	-	-	(134)	(1,082)	(1,216)
<b>As at 30 June 2020</b>	<b>82,672</b>	<b>128,433</b>	<b>47</b>	<b>97</b>	<b>250,973</b>	<b>462,222</b>

*(The Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2019)*

## PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS) 134, INTERIM FINANCIAL REPORTING

### 1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2019.

### 2 Adoption of Malaysian Financial Reporting Standards

The significant accounting policies and methods of computation applied in the interim financial report are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2019, except for the effects of newly issued Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”) applied during the current financial period:-

<b>Title</b>	<b>Effective date</b>
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020

The Group has not adopted the following Standards that have been issued but not yet effective:

<b>Title</b>	<b>Effective date</b>
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2022

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

### 3 Qualified audit report

The financial statements for the financial year ended 31 December 2019 was not qualified.

### 4 Seasonal or cyclical factors

The Group’s operation is not significantly affected by seasonal or cyclical factors.

### 5 Unusual items

Other than those stated in the notes, there are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

## 6 Changes in estimates

There is no significant change in estimates of amounts reported in prior interim periods of the current or previous financial year.

## 7 Debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares, repurchase and resale of treasury shares for the current quarter under review.

## 8 Dividends paid

There were no dividends paid during the quarter under review.

## 9 Segmental information

Operating segment reporting is not separately presented as the Group is principally engaged in the manufacturing and trading of automotive parts and accessories, which are substantially within a single operating segment.

For the purpose of resources allocation and performance assessment, the chief operating decision-maker reviews the profit from operations of the Group as disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The breakdown of the Group's revenue based on the geographical location of the customers is as follows:

By Geographical Segment	Quarter ended		Year to date ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	22,992	33,722	50,683	64,000
- ASEAN	10,293	12,285	20,298	23,484
- Non-ASEAN	13,172	26,189	32,841	46,827
Total Segment Revenue	46,457	72,196	103,822	134,311

The Group's segment capital expenditures and non-current assets are as follows:

By Geographical Segment	Quarter ended		Year to date ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	3,618	4,764	11,319	12,850
- ASEAN	-	72	56	72
- Non-ASEAN	1	-	13	-
Total Segment Capital Expenditure	3,619	4,836	11,388	12,922

## 9 Segmental information (continued)

The Group's segment capital expenditures and non-current assets are as follows (continued):

<b>By Geographical Segment</b>	<b>As at 30.06.2020</b>	<b>As at 31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Segment Non-Current Assets</u>		
- Malaysia	376,714	382,610
- ASEAN	48,342	48,482
- Non-ASEAN	117	220
<b>Total Segment Non-Current Assets</b>	<b>425,173</b>	<b>431,312</b>

## 10 Valuation of Property, Plant and Equipment and Investment Properties

The valuation of land and buildings has been brought forward, without any amendment to the previous annual financial statements.

## 11 Subsequent events

In the opinion of the Directors, there are no material subsequent events to be disclosed as at the date of this report.

## 12 Changes in the composition of the Group

There are no changes in the composition of the Group in the current quarter under review.

## 13 Changes in contingent liabilities

The contingent liabilities of the Group were as follows:

	<b>As at 30.06.2020</b>	<b>As at 31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	<u>47,588</u>	<u>45,607</u>

## 14 Capital commitments

	<b>As at 30.06.2020</b>
	<b>RM'000</b>
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>10,856</u>
Approved but not contracted for	<u>23,567</u>



## **PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)**

### **15 Review of performance**

#### *Comparison of current quarter under review with corresponding quarter of preceding year*

Compared to the corresponding quarter of preceding year (“2Q 2019”), revenue decreased by RM25.7 million or 35.6% from RM72.2 million in 2Q 2019 to RM46.5 million in the current quarter under review (“2Q 2020”). The decrease in revenue was mainly due to the Movement Control Order (‘MCO’) being in place in Malaysia as well as movement restrictions in countries all around the world. Revenue picked up toward end of the quarter as countries began to relax their restrictions.

Profit Before Tax (“PBT”) decreased by RM3.2 million or 59.3% from PBT of RM5.4 million in 2Q 2019 to RM2.2 million in 2Q 2020. The decrease was mainly due to the aforementioned reduction in revenue while partially offset by unrealised forex gain of RM4.4 million.

#### *Comparison of current YTD period with corresponding YTD period of preceding year*

The Group recorded RM30.5 million or 22.7% decrease in revenue from RM134.3 million in YTD 2Q 2019 to RM103.8 million in YTD 2Q 2020. The decrease in revenue was mainly due to lower demand in both local and overseas markets as a result of the global lockdown.

PBT had decreased by RM8.8 million or 111.4% from RM7.9 million in YTD 2Q 2019 to Loss Before Tax (“LBT”) of RM0.9 million in YTD 2Q 2020. The decrease in PBT was mainly due to the reduction in revenue.

### **16 Variation of results against preceding quarter**

Compared to the preceding quarter (“1Q 2020”), revenue decreased by RM10.9 million or 19.0% from RM57.4 million in 1Q 2020 to RM46.5 million in 2Q 2020. The decrease in revenue was mainly due to lower demand in both local and overseas markets as a result of the global lockdown.

However, PBT increased by RM5.3 million or 171.0% from LBT of RM3.1 million in 1Q 2020 to PBT of RM2.2 million in 2Q 2020. The increase in PBT was mainly due to the unrealised favourable forex impact of RM8.7 million as the unrealised forex loss in 1Q 2020 was reversed in 2Q 2020, while partially offset by the reduction in revenue.

### **17 Future Prospects**

The COVID-19 pandemic crisis continues unabated and continues to put the world’s economy in a state of uncertainty as countries wrestle with the dilemma of reopening their economies versus the fear of a second wave. The International Monetary Fund in June 2020 had revised their global growth projection to -4.9%, a reduction of 1.9% from April’s forecast of -3.0%. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecasted.

The Government of Malaysia had first implemented MCO on 18 March 2020 have now moved to Recovery MCO stage which is scheduled to last until 31 August 2020. The Government had implemented fiscal and monetary policies to mitigate the impact of the pandemic.

**17 Future Prospects (continued)**

The Group had temporarily halted its operations during the MCO but had resumed its full operations on 29 April 2020. Even though sales had slowly picked up in 2Q 2020, the impact to the Group' overall performance for 2020 is still uncertain. Business in many countries is still slow as governments have taken measures to prevent and control the rebound of the pandemic. Nevertheless, the Group will focus on achieving the best outcome in these uncertain times.

**18 Profit forecast**

There was no revenue or profit forecast announced by the Group.

**19 Tax credit/(expense)**

	<b>Quarter ended 30.06.2020 RM'000</b>	<b>Year to date ended 30.06.2020 RM'000</b>
Current tax expense	502	1,216
Deferred tax	(762)	(1,040)
	<u>(260)</u>	<u>176</u>

The effective tax rate of the Group for the current quarter under review was -11.9%, due to high deferred tax assets recognised for the quarter as a result of timing differences on unabsorbed tax losses for Malaysian operations.

The year to date effective tax rate was lower than the statutory rate mainly due to the utilisation of tax losses in a foreign subsidiary for which deferred tax asset had not been recognised previously.

**20 Status of corporate proposal**

There were no corporate proposals announced but not completed as at the date of this report.

**21 Group borrowings and debt securities**

	<b>As at 30.06.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>Current liabilities</b>		
<i>Unsecured:-</i>		
Bankers' acceptance	15,610	13,800
Foreign currency trade loan	11,124	17,379
Revolving credit	2,143	4,095
Trust receipt	8,454	-
	<hr/>	<hr/>
Sub-total	37,331	35,274
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
<i>Unsecured:-</i>		
Revolving Credit	3,214	3,071
	<hr/>	<hr/>
Sub-total	3,214	3,071
	<hr/>	<hr/>
<b>Total borrowings</b>	40,545	38,345
	<hr/> <hr/>	<hr/> <hr/>
<b>Total borrowings</b>		
Bankers' acceptances	15,610	13,800
Foreign currency trade loan	11,124	17,379
Revolving credit	5,357	7,166
Trust receipt	8,454	-
	<hr/>	<hr/>
	40,545	38,345
	<hr/> <hr/>	<hr/> <hr/>

The currency exposure profile of borrowings is as follows:

	<b>As at 30.06.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Ringgit Malaysia	24,064	13,800
US Dollar	16,481	24,545
	<hr/>	<hr/>
	40,545	38,345
	<hr/> <hr/>	<hr/> <hr/>

## 22 Changes in fair value of financial instruments

The carrying amounts of the financial instruments of the Group as at reporting date approximate their fair values due to relatively short term maturity of these financial instruments.

## 23 Material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings, which might materially affect the position or business of the Group as at the date of this report.

## 24 Dividend

The Board of Directors has not recommended any interim dividend for the financial quarter ended 30 June 2020.

## 25 Earnings/(Loss) per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Quarter ended</u> <b>30.06.2020</b>	<u>Quarter ended</u> <b>30.06.2019</b>	<u>Year to date ended</u> <b>30.06.2020</b>	<u>Year to date ended</u> <b>30.06.2019</b>
Net profit/(loss) attributable to owners of the parent (RM'000)	2,441	4,314	(1,082)	6,319
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	82,672	82,672	82,672	82,672
Basic earnings/(loss) per share (sen)	2.95	5.22	(1.31)	7.64

**26 Profit before tax**

	<b>Quarter ended 30.06.2020 RM'000</b>	<b>Year to date ended 30.06.2020 RM'000</b>
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	2	3
Bad debts written off	-	-
Depreciation of property, plant and equipment	8,688	17,390
Depreciation of right-of-use assets	444	881
Gain on disposal of property, plant and equipment	(3)	(233)
Gain on foreign exchange:		
- Realised	-	(496)
- Unrealised	(4,407)	(4,407)
Interest expense	224	511
Interest on lease liabilities	8	16
Interest income	(67)	(138)
Inventories written down	56	165
Loss on foreign exchange:		
- Realised	55	55
- Unrealised	-	4,349
Property, plant and equipment written off	3	3
Provision for employment benefit obligation	21	43
Rental income from investment properties	(145)	(340)
Provision of impairment losses on trade receivables	431	664

By Order of the Board

WONG YOUN KIM  
Secretary

Kuala Lumpur  
21 August 2020