



# NEW HOONG FATT HOLDINGS BERHAD

(Registration No. 199701010213 (425709-K))

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## RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020

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

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 30.09.2020	Quarter ended 30.09.2019	Year to date ended 30.09.2020	Year to date ended 30.09.2019
		RM'000	RM'000	RM'000	RM'000
Revenue		71,159	72,084	174,981	206,395
Cost of sales		(52,241)	(55,313)	(136,827)	(163,058)
Gross profit		18,918	16,771	38,154	43,337
Other operating income		2,606	3,533	12,110	11,607
Operating expenses		(13,770)	(13,348)	(42,889)	(39,097)
Finance costs		(224)	(409)	(751)	(1,409)
<b>Profit before tax</b>		<b>7,530</b>	<b>6,547</b>	<b>6,624</b>	<b>14,438</b>
Tax expense	19	(1,725)	(1,593)	(1,901)	(3,165)
<b>Net profit for the period</b>		<b>5,805</b>	<b>4,954</b>	<b>4,723</b>	<b>11,273</b>
Other comprehensive (loss) /income:					
Foreign currency translations, net of tax		(655)	283	(789)	422
<b>Total comprehensive income for the period</b>		<b>5,150</b>	<b>5,237</b>	<b>3,934</b>	<b>11,695</b>
Profit attributable to owners of the parent		5,805	4,954	4,723	11,273
<b>Total comprehensive income attributable to owners of the parent</b>		<b>5,150</b>	<b>5,237</b>	<b>3,934</b>	<b>11,695</b>
Earnings per share attributable to owners of the parent	25				
Basic (sen)		7.02	5.99	5.71	13.64
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 30.09.2020 RM'000	As at 31.12.2019 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		340,333	350,229
Right-of-use assets		56,212	58,948
Investment properties		22,000	22,000
Other investments		130	130
Intangible asset		12	5
		418,687	431,312
<b>Current Assets</b>			
Inventories		47,648	54,660
Trade receivables		46,744	48,835
Other receivables, deposits & prepayments		9,959	9,001
Current tax assets		297	269
Cash and bank balances		36,677	22,567
		141,325	135,332
<b>Total Assets</b>		560,012	566,644
<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		(558)	231
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		250,991	252,055
		378,913	380,766
<b>Total Equity</b>		461,585	463,438
<b>Non-Current Liabilities</b>			
Borrowings (interest bearing)	21	-	3,071
Employment benefit obligation		341	296
Lease liabilities		405	272
Deferred tax liabilities		40,722	41,107
		41,468	44,746
<b>Current Liabilities</b>			
Trade payables		8,301	11,404
Other payables & accruals		11,784	10,997
Borrowings (interest bearing)	21	35,469	35,274
Lease liabilities		314	316
Current tax liabilities		1,091	469
		56,959	58,460
<b>Total Liabilities</b>		98,427	103,206
<b>Total Equity and Liabilities</b>		560,012	566,644
Net assets per share attributable to owners of the parent (RM)		5.58	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 30.09.2020 RM'000</b>	<b>Year to date ended 30.09.2019 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before tax	6,624	14,438
Adjustments for:-		
Amortisation and depreciation	26,107	26,259
Depreciation of right-of-use assets	1,317	370
Bad debts written off	-	37
Interest income	(209)	(232)
Interest expense	731	1,402
Interest on lease liabilities	20	7
Inventories written down	277	226
Net gain on disposal of property, plant and equipment	(306)	(497)
Property, plant and equipment written off	9	2
Provision for employment benefit obligation	63	70
Provision of impairment losses on trade receivables	291	121
Unrealised loss/(gain) on foreign exchange differences	2,304	(837)
Operating profit before changes in working capital	37,228	41,366
Net change in current assets	7,295	(4,760)
Net change in current liabilities	(2,344)	(525)
Tax paid	(1,699)	(2,125)
<b>Net cash from operating activities</b>	<b>40,480</b>	<b>33,956</b>
<b>Cash Flows From Investing Activities</b>		
Interest received	209	232
Proceeds from disposal of property, plant and equipment	339	542
Purchase of property, plant and equipment	(16,432)	(19,421)
Purchase of intangible asset	(12)	(6)
<b>Net cash used in investing activities</b>	<b>(15,896)</b>	<b>(18,653)</b>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(731)	(1,402)
Net repayment of bank borrowings	(3,139)	(7,187)
Repayment of lease liabilities	(396)	(378)
Dividend paid	(5,787)	(5,787)
<b>Net cash used in financing activities</b>	<b>(10,053)</b>	<b>(14,754)</b>

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

	<b>Year to date ended 30.09.2020 RM'000</b>	<b>Year to date ended 30.09.2019 RM'000</b>
Net increase in cash and cash equivalents	14,531	549
Effects of exchange rate fluctuations on cash & cash equivalents	(421)	(681)
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>36,677</b>	<b>21,395</b>
 <b>Cash and cash equivalents comprise of:</b>		
Cash and bank balances	36,677	21,395
	<b>36,677</b>	<b>21,395</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	-	-	-	-	11,273	11,273
Foreign currency translations, net of tax	-	-	-	422	-	422
Total comprehensive income	-	-	-	422	11,273	11,695
Dividend					(5,787)	(5,787)
<b>As at 30 September 2019</b>	<b>82,672</b>	<b>128,433</b>	<b>47</b>	<b>260</b>	<b>250,943</b>	<b>462,355</b>
As at 1 January 2020	82,672	128,433	47	231	252,055	463,438
Profit for the financial period	-	-	-	-	4,723	4,723
Foreign currency translations, net of tax.	-	-	-	(789)	-	(789)
Total comprehensive income/(loss)	-	-	-	(789)	4,723	3,934
Dividend	-	-	-	-	(5,787)	(5,787)
<b>As at 30 September 2020</b>	<b>82,672</b>	<b>128,433</b>	<b>47</b>	<b>(558)</b>	<b>250,991</b>	<b>461,585</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
<i>Amendments to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 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 4 Insurance Contract – Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020
<i>Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts-Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment-Proceeds before Intended Use</i>	1 January 2022
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

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**

	<b>Quarter ended 30.09.2020 RM'000</b>	<b>Year to date ended 30.09.2020 RM'000</b>
A final single tier dividend of 7 sen per ordinary share declared for financial year ended 2019, paid on 21 August 2020.	<u>5,787</u>	<u>5,787</u>

**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.

## 9 Segmental information (continued)

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	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	37,560	35,397	88,243	99,397
- ASEAN	10,432	13,281	30,730	36,765
- Non-ASEAN	23,167	23,406	48,901	70,233
Total Segment Revenue	71,159	72,084	174,981	206,395

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

By Geographical Segment	Quarter ended		Year to date ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	5,031	6,458	16,350	19,308
- ASEAN	2	19	58	91
- Non-ASEAN	21	28	34	28
Total Segment Capital Expenditure	5,054	6,505	16,442	19,427

By Geographical Segment	As at 30.09.2020	As at 31.12.2019
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	373,058	382,610
- ASEAN	45,529	48,482
- Non-ASEAN	100	220
Total Segment Non-Current Assets	418,687	431,312

## 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 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	<u>43,079</u>	<u>45,607</u>

**14 Capital commitments**

	<b>As at 30.09.2020 RM'000</b>
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>13,940</u>
Approved but not contracted for	<u>21,843</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 (“3Q 2019”), revenue decreased by RM0.9 million or 1.2% from RM72.1 million in 3Q 2019 to RM71.2 million in the current quarter under review (“3Q 2020”). The decrease in revenue was mainly due to lower export revenue.

Profit Before Tax (“PBT”) increased by RM1.0 million or 15.4% from PBT of RM6.5 million in 3Q 2019 to RM7.5 million in 3Q 2020. The increase was mainly due to lower expenses incurred during the quarter.

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

The Group recorded RM31.4 million or 15.2% decrease in revenue from RM206.4 million in YTD 3Q 2019 to RM175.0 million in YTD 3Q 2020. The decrease in revenue was mainly due to Movement Control Order being implemented in Malaysia in March and April 2020 resulting in operation shutdown during this period.

PBT had decreased by RM7.8 million or 54.2% from RM14.4 million in YTD 3Q 2019 to PBT of RM6.6 million in YTD 3Q 2020. The decrease in PBT was mainly due the reduction in revenue as mentioned above.

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

Compared to the preceding quarter (“2Q 2020”), revenue increased by RM24.7 million or 53.1% from RM46.5 million in 2Q 2020 to RM71.2 million in 3Q 2020. The increase in revenue was due to lockdown that took place in 2Q 2020.

PBT increased by RM5.3 million or 240.9% from PBT of RM2.2 million in 2Q 2020 to PBT of RM7.5 million in 3Q 2020. The increase in PBT was mainly attributed to higher revenue and lower expenses.

### **17 Future Prospects**

The International Monetary Fund had revised the global growth projection in October 2020 to -4.4%, a marginal increase of 0.5% from June’s forecast of -4.9%. The COVID-19 pandemic has a prolonged effect on the world economy as policy makers enforced measures to combat the spread of the virus which has caused business disruptions.

Malaysia is currently in the Recovery Movement Control Order stage running from 10 June 2020 to 31 December 2020. With the spike in new cases of COVID-19 beginning of October 2020, the Government of Malaysia had implemented Conditional Movement Control Order (“CMCO”) on a few states in the country which is targeted to end in early December 2020. The implementation of CMCO does not pose material impact to the daily business activities of the Group.

The business environment in Malaysia and around the globe remains challenging and uncertain surrounding the progress of COVID-19. There are still concerns of further waves of COVID-19 infections and potential further lockdown in the countries in which the Group exports to and thereby may affect the Group’s exports in the near term. The Group will continue to assess various strategies to mitigate the adverse impact to the Group.

**18 Profit forecast**

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

**19 Tax expense**

	<b>Quarter ended 30.09.2020 RM'000</b>	<b>Year to date ended 30.09.2020 RM'000</b>
Current tax expense	1,078	2,293
Deferred tax	647	(392)
	1,725	1,901

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate due to utilisation of Reinvestment Allowance.

The year to date effective tax rate was higher than the statutory rate mainly due to derecognition of deferred tax asset on tax losses in foreign subsidiaries.

**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 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>Current liabilities</b>		
<i>Unsecured:-</i>		
Bankers' acceptance	17,993	13,800
Foreign currency trade loan	12,283	17,379
Revolving credit	5,193	4,095
	35,469	35,274
Sub-total		
<b>Non-current liabilities</b>		
<i>Unsecured:-</i>		
Revolving Credit	-	3,071
	-	3,071
Sub-total		
<b>Total borrowings</b>	35,469	38,345
<b>Total borrowings</b>		
Bankers' acceptances	17,993	13,800
Foreign currency trade loan	12,283	17,379
Revolving credit	5,193	7,166
	35,469	38,345

## 21 Group borrowings and debt securities (continued)

The currency exposure profile of borrowings is as follows:

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Ringgit Malaysia	17,993	13,800
US Dollar	17,476	24,545
	35,469	38,345

## 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 is pleased to declare an interim single tier dividend of 3 sen per ordinary share in respect of the financial year ending 31 December 2020 amounting to RM2,480,167.80 (2019: interim single tier 3 sen per ordinary share, RM2,480,167.80).

The dividend will be paid on 31 December 2020 to shareholders registered in the Record of Depositors on 1 December 2020.

The interim dividend will be accounted for as an appropriation of retained earnings in the year in which it is declared.

## 25 Earnings per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Quarter ended 30.09.2020	Quarter ended 30.09.2019	Year to date ended 30.09.2020	Year to date ended 30.09.2019
Net profit attributable to owners of the parent (RM'000)	5,805	4,954	4,723	11,273
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	82,672	82,672	82,672	82,672
Basic earnings per share (sen)	7.02	5.99	5.71	13.64

**26 Profit before tax**

	<b>Quarter ended 30.09.2020 RM'000</b>	<b>Year to date ended 30.09.2020 RM'000</b>
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	1	4
Bad debts written off	-	-
Depreciation of property, plant and equipment	8,713	26,103
Depreciation of right-of-use assets	436	1,317
Gain on disposal of property, plant and equipment	(73)	(306)
Gain on foreign exchange:		
- Realised	-	(496)
- Unrealised	-	(4,407)
Interest expense	220	731
Interest on lease liabilities	4	20
Interest income	(71)	(209)
Inventories written down	112	277
Loss on foreign exchange:		
- Realised	141	196
- Unrealised	2,362	6,711
Property, plant and equipment written off	6	9
Provision for employment benefit obligation	20	63
Rental income from investment properties	(177)	(517)
(Reversal)/Provision of impairment losses on trade Receivables	(373)	291

By Order of the Board

WONG YOUN KIM

Secretary

Kuala Lumpur

12 November 2020