



# NEW HOONG FATT HOLDINGS BERHAD

(Registration No. 199701010213 (425709-K))

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## RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

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

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31.12.2020	Quarter ended 31.12.2019	Year to date ended 31.12.2020	Year to date ended 31.12.2019
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		66,610	69,731	241,591	276,126
Cost of sales		(49,652)	(54,621)	(186,479)	(217,679)
Gross profit		16,958	15,110	55,112	58,447
Other operating income		3,460	2,808	15,570	14,415
Operating expenses		(12,363)	(13,257)	(55,252)	(52,354)
Finance costs		(170)	(336)	(921)	(1,745)
<b>Profit before tax</b>		<b>7,885</b>	<b>4,325</b>	<b>14,509</b>	<b>18,763</b>
Tax expense	19	(1,041)	(727)	(2,942)	(3,892)
<b>Net profit for the period</b>		<b>6,844</b>	<b>3,598</b>	<b>11,567</b>	<b>14,871</b>
Other comprehensive income / (loss):					
Foreign currency translations, net of tax		27	(29)	(762)	393
Revaluation surplus on land and buildings, net of tax		712	-	712	-
Remeasurement of employment benefit obligation		(10)	(6)	(10)	(6)
<b>Total comprehensive income for the period</b>		<b>7,573</b>	<b>3,563</b>	<b>11,507</b>	<b>15,258</b>
Profit attributable to owners of the parent		6,844	3,598	11,567	14,871
<b>Total comprehensive income attributable to owners of the parent</b>		<b>7,573</b>	<b>3,563</b>	<b>11,507</b>	<b>15,258</b>
<b>Earnings per share attributable to owners of the parent</b>	25				
Basic (sen)		8.28	4.35	13.99	17.99
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 31.12.2020 RM'000	As at 31.12.2019 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		337,976	350,229
Right-of-use assets		57,309	58,948
Investment properties		22,000	22,000
Other investments		130	130
Intangible asset		11	5
		417,426	431,312
<b>Current Assets</b>			
Inventories		53,859	54,660
Trade receivables		44,439	48,835
Other receivables, deposits and prepayments		9,564	9,001
Current tax assets		656	269
Cash and bank balances		30,852	22,567
		139,370	135,332
<b>Total Assets</b>		<b>556,796</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		129,145	128,433
Exchange translation reserve		(531)	231
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		255,345	252,055
		384,006	380,766
<b>Total Equity</b>		<b>466,678</b>	<b>463,438</b>
<b>Non-Current Liabilities</b>			
Borrowings (interest bearing)	21	-	3,071
Employment benefit obligation		392	296
Lease liabilities		333	272
Deferred tax liabilities		41,211	41,107
		41,936	44,746
<b>Current Liabilities</b>			
Trade payables		9,788	11,404
Other payables and accruals		13,850	10,997
Borrowings (interest bearing)	21	23,421	35,274
Lease liabilities		397	316
Current tax liabilities		726	469
		48,182	58,460
<b>Total Liabilities</b>		<b>90,118</b>	<b>103,206</b>
<b>Total Equity and Liabilities</b>		<b>556,796</b>	<b>566,644</b>
Net assets per share attributable to owners of the parent (RM)		5.64	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 31.12.2020 RM'000</b>	<b>Year to date ended 31.12.2019 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before tax	14,509	18,763
Adjustments for:-		
Amortisation of intangible assets	6	1
Amortisation and depreciation	34,832	33,987
Depreciation of right-of-use assets	1,731	1,740
Bad debts written off	-	48
Interest income	(276)	(315)
Interest expense	891	1,723
Interest on lease liabilities	30	22
Inventories written down	450	413
Net gain on disposal of property, plant and equipment	(307)	(582)
Property, plant and equipment written off	4	4
Provision for employment benefit obligation	95	79
(Reversal)/Provision of impairment losses on trade receivables	(51)	214
Unrealised loss/(gain) on foreign exchange differences	1,876	(1,127)
Operating profit before changes in working capital	53,790	54,970
Net change in current assets	3,133	(6,350)
Net change in current liabilities	1,882	3,366
Employee benefits contributed	-	(6)
Tax paid	(3,196)	(2,947)
<b>Net cash from operating activities</b>	<b>55,609</b>	<b>49,033</b>
<b>Cash Flows From Investing Activities</b>		
Interest received	276	315
Proceeds from disposal of property, plant and equipment	340	628
Purchase of property, plant and equipment	(22,408)	(25,945)
Purchase of intangible asset	(12)	(6)
<b>Net cash used in investing activities</b>	<b>(21,804)</b>	<b>(25,008)</b>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(891)	(1,723)
Net repayment of bank borrowings	(15,365)	(12,415)
Repayment of lease liabilities	(526)	(502)
Dividend paid	(8,267)	(8,267)
<b>Net cash used in financing activities</b>	<b>(25,049)</b>	<b>(22,907)</b>

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

	<b>Year to date ended 31.12.2020 RM'000</b>	<b>Year to date ended 31.12.2019 RM'000</b>
Net increase in cash and cash equivalents	8,756	1,118
Effects of exchange rate fluctuations on cash and cash equivalents	(471)	(78)
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>30,852</b>	<b>22,567</b>
 <b>Cash and cash equivalents comprise of:</b>		
Cash and bank balances	28,846	22,567
Short term placements	2,006	-
	<b>30,852</b>	<b>22,567</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					
	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	Total Equity RM'000
As at 1 January 2019	82,672	128,433	47	(162)	245,457	456,447
Profit for the financial period	-	-	-	-	14,871	14,871
Foreign currency translations, net of tax	-	-	-	393	-	393
Remeasurement of employment benefit obligation	-	-	-	-	(6)	(6)
Total comprehensive income	-	-	-	393	14,865	15,258
Dividend	-	-	-	-	(8,267)	(8,267)
<b>As at 31 December 2019</b>	<b>82,672</b>	<b>128,433</b>	<b>47</b>	<b>231</b>	<b>252,055</b>	<b>463,438</b>
As at 1 January 2020	82,672	128,433	47	231	252,055	463,438
Profit for the financial period	-	-	-	-	11,567	11,567
Foreign currency translations, net of tax	-	-	-	(762)	-	(762)
Remeasurement of employment benefit obligation	-	-	-	-	(10)	(10)
Revaluation surplus on land and buildings, net of tax	-	712	-	-	-	712
Total comprehensive income/(loss)	-	712	-	(762)	11,557	11,507
Dividend	-	-	-	-	(8,267)	(8,267)
<b>As at 31 December 2020</b>	<b>82,672</b>	<b>129,145</b>	<b>47</b>	<b>(531)</b>	<b>255,345</b>	<b>466,678</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 (Early adopt)
<i>Amendments to MFRS 4 Insurance Contract – Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 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>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 31.12.2020 RM'000</b>	<b>Year to date ended 31.12.2020 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.	-	5,787
Interim single tier dividend of 3 sen per ordinary share declared for financial year ended 31 December 2020, paid on 31 December 2020.	<u>2,480</u>	<u>2,480</u>
<b>Total single-tier dividends paid</b>	<b><u>2,480</u></b>	<b><u>8,267</u></b>

### 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	33,343	35,353	121,586	134,750
- ASEAN	9,135	10,432	39,865	47,197
- Non-ASEAN	24,132	23,946	80,140	94,179
Total Segment Revenue	66,610	69,731	241,591	276,126

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

By Geographical Segment	Quarter ended		Year to date ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	5,942	6,510	22,293	25,812
- ASEAN	22	13	81	104
- Non-ASEAN	12	1	46	35
Total Segment Capital Expenditure	5,976	6,524	22,420	25,951

By Geographical Segment	As at 31.12.2020	As at 31.12.2019
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	371,289	382,610
- ASEAN	46,085	48,482
- Non-ASEAN	52	220
Total Segment Non-Current Assets	417,426	431,312

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

Valuations dated 31 December 2020 had been conducted by a registered valuer, KPH Property Consultants (KL) Sdn Bhd in Malaysia on selected properties of the Group (long term leasehold lands and buildings) by reference to the open market value based on existing use basis and cost approach method respectively. The purpose of the valuation exercise was to ascertain the market value of the assets for accounting purposes in accordance with the Malaysian Financial Reporting Standards 16 and 116.

Accordingly, a revaluation surplus of RM0.9 million had been incorporated into the Group's Property, Plant and Equipment and Right-of-use Assets for the financial year ended 31 December 2020. The revaluation surplus (net of tax) that was recognised in the Statement of Financial Position as Revaluation Reserve amounted to RM0.7 million for the Property, Plant and Equipment and Right-of-use Assets in the Retained Earnings. The impact to the consolidated net assets value per share of the Group after the valuation exercise is negligible.



**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 31.12.2020 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>30,336</u>	<u>45,607</u>

**14 Capital commitments**

	<b>As at 31.12.2020 RM'000</b>
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>7,542</u>
Approved but not contracted for	<u>15,934</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 (“4Q 2019”), revenue decreased by RM3.1 million or 4.4% from RM69.7 million in 4Q 2019 to RM66.6 million in the current quarter under review (“4Q 2020”). The decrease in revenue was mainly due to lower demand from the local market.

However, Profit Before Tax (“PBT”) increased by RM3.6 million or 83.7% from PBT of RM4.3 million in 4Q 2019 to RM7.9 million in 4Q 2020. The increase was mainly due to lower manufacturing and operating expenses incurred during the quarter.

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

The Group recorded RM34.5 million or 12.5% decrease in revenue from RM276.1 million in YTD 4Q 2019 to RM241.6 million in YTD 4Q 2020. The decrease in revenue was mainly due to Movement Control Order (“MCO”) being implemented in Malaysia in March and April 2020 as a result of COVID-19 pandemic resulting in operation shutdown during this period as well as global lockdown and slowdown in economy worldwide.

PBT had decreased by RM4.3 million or 22.9% from RM18.8 million in YTD 4Q 2019 to PBT of RM14.5 million in YTD 4Q 2020. The decrease in PBT was mainly due to the reduction in revenue and unfavourable forex impact.

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

Compared to the preceding quarter (“3Q 2020”), revenue decreased by RM4.6 million or 6.5% from RM71.2 million in 3Q 2020 to RM66.6 million in 4Q 2020. The decrease in revenue in the local market was due to the re-implementation of Conditional MCO in October 2020 until year end.

PBT increased by RM0.4 million or 5.3% from PBT of RM7.5 million in 3Q 2020 to PBT of RM7.9 million in 4Q 2020. Despite lower revenue, PBT was higher mainly attributed to favourable forex impact.

### **17 Future Prospects**

In January 2021, the International Monetary Fund had forecasted that the global economy to grow 5.5% in 2021. Despite the COVID-19 vaccine rollouts, the global economic outlook remains at heightened uncertainty due to renewed waves and new strains of the pandemic which affects the Group’s business internationally. On the domestic front, Malaysia’s Gross Domestic Product (GDP) in 2021 is projected to rebound by 6.5% and 7.5% supported by the recovery in global demand and a turnaround in public and private sector expenditure amid various policies of the Government. Nevertheless, the ongoing MCO 2.0 and anticipated subsequent Conditional MCO will affect demand and the Group’s operation locally. The Group will continue to assess various strategies to mitigate the adverse impact of the pandemic to the Group.

**17 Future Prospects (continued)**

The Group has been operating during the MCO 2.0 with strict adherence to standard operating procedures (SOPs) for employees at the workplace whilst Management and supervisory staffs continued to work from home to minimise the risk of COVID-19 transmission at the workplace. The Group remains committed to ensuring the safety and well-being of all staff and the surrounding community.

**18 Profit forecast**

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

**19 Tax expense**

	<b>Quarter ended 31.12.2020 RM'000</b>	<b>Year to date ended 31.12.2020 RM'000</b>
Current tax expense	772	3,065
Deferred tax	269	(123)
	<u>1,041</u>	<u>2,942</u>

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 and utilisation of tax losses in a foreign subsidiary for which no deferred tax asset had been recognised previously.

The year to date effective tax rate was lower than the statutory rate mainly due to utilisation of Reinvestment Allowance.

**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 31.12.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>Current liabilities</b>		
<i>Unsecured:-</i>		
Bankers' acceptance	17,467	13,800
Foreign currency trade loan	3,940	17,379
Revolving credit	2,014	4,095
	<hr/>	<hr/>
Sub-total	23,421	35,274
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
<i>Unsecured:-</i>		
Revolving Credit	-	3,071
	<hr/>	<hr/>
Sub-total	-	3,071
	<hr/>	<hr/>
<b>Total borrowings</b>	<b>23,421</b>	<b>38,345</b>
	<hr/>	<hr/>
<b>Total borrowings</b>		
Bankers' acceptances	17,467	13,800
Foreign currency trade loan	3,940	17,379
Revolving credit	2,014	7,166
	<hr/>	<hr/>
	23,421	38,345
	<hr/>	<hr/>

The currency exposure profile of borrowings is as follows:

	<b>As at 31.12.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Ringgit Malaysia	17,467	13,800
US Dollar	5,954	24,545
	<hr/>	<hr/>
	23,421	38,345
	<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 is pleased to propose a final single tier dividend of five (5) sen per ordinary share in respect of the financial year ended 31 December 2020 amounting to RM4,133,613 (2019: final single tier dividend of seven (7) sen per ordinary share, RM5,787,058).

The proposed final dividend is subject to the approval of the shareholders at the upcoming Annual General Meeting of the Company. This dividend, upon approval by the shareholders, will be accounted for as an appropriation of retained earnings in the year in which it is declared. The dividend payment date and entitlement date will be announced in due course.

## 25 Earnings per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Quarter ended</u> <b>31.12.2020</b>	<u>Quarter ended</u> <b>31.12.2019</b>	<u>Year to date ended</u> <b>31.12.2020</b>	<u>Year to date ended</u> <b>31.12.2019</b>
Net profit attributable to owners of the parent (RM'000)	6,844	3,598	11,567	14,871
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)	8.28	4.35	13.99	17.99

**26 Profit before tax**

	<b>Quarter ended 31.12.2020 RM'000</b>	<b>Year to date ended 31.12.2020 RM'000</b>
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	2	6
Depreciation of property, plant and equipment	8,729	34,832
Depreciation of right-of-use assets	414	1,731
Gain on disposal of property, plant and equipment	(1)	(307)
Gain on foreign exchange:		
- Realised	(272)	(768)
- Unrealised	(671)	(5,078)
Interest expense	160	891
Interest on lease liabilities	10	30
Interest income	(67)	(276)
Inventories written down	173	450
Loss on foreign exchange:		
- Realised	16	212
- Unrealised	243	6,954
Property, plant and equipment written off	(5)	4
Provision for employment benefit obligation	32	95
Rental income from investment properties	(164)	(681)
Reversal of impairment losses on trade receivables	(343)	(51)

By Order of the Board

WONG YOUN KIM  
SecretaryKuala Lumpur  
24 February 2021