



NEW HOONG FATT HOLDINGS BERHAD (425709-K)

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RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2021

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 30.06.2021	Quarter ended 30.06.2020	Year to date ended 30.06.2021	Year to date ended 30.06.2020
		RM'000	RM'000	RM'000	RM'000
Revenue		58,517	46,457	125,717	103,822
Cost of sales		(43,087)	(38,832)	(91,407)	(84,586)
Gross profit		15,430	7,625	34,310	19,236
Other operating income		3,379	6,667	7,417	9,504
Operating expenses		(13,611)	(11,879)	(28,410)	(29,119)
Finance costs		(121)	(232)	(238)	(527)
Profit/(Loss) before tax		5,077	2,181	13,079	(906)
Tax (expense)/credit	19	(615)	260	(1,422)	(176)
Net profit/(loss) for the period		4,462	2,441	11,657	(1,082)
Other comprehensive (loss)/income:					
Foreign currency translations, net of tax		(154)	717	(263)	(134)
Total comprehensive income/(loss) for the period		4,308	3,158	11,394	(1,216)
Profit/(Loss) attributable to owners of the parent		4,462	2,441	11,657	(1,082)
Total comprehensive income/(loss) attributable to owners of the parent		4,308	3,158	11,394	(1,216)
Earnings/(Loss) per share attributable to owners of the parent	25				
Basic (sen)		5.40	2.95	14.10	(1.31)
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 2020)

	Note	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		329,429	337,976
Right-of-use assets		57,180	57,308
Investment properties		22,000	22,000
Other investments		130	130
Intangible asset		9	11
Deferred tax asset		579	640
		409,327	418,065
Current Assets			
Inventories		59,029	52,878
Trade receivables		41,181	44,405
Other receivables, deposits & prepayments		8,894	9,635
Current tax assets		979	656
Cash and bank balances		42,718	30,852
		152,801	138,426
Total Assets		562,128	556,491
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		82,672	82,672
Reserves			
<u>Non-Distributable:</u>			
Revaluation reserve		129,145	129,145
Exchange translation reserve		(794)	(531)
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		266,990	255,333
		395,388	383,994
Total Equity		478,060	466,666
Non-Current Liabilities			
Employment benefit obligation		447	392
Lease liabilities		617	397
Deferred tax liabilities		41,702	41,851
		42,766	42,640
Current Liabilities			
Trade payables		3,973	9,805
Other payables & accruals		9,813	12,887
Borrowings (interest bearing)	21	25,944	23,422
Lease liabilities		484	346
Current tax liabilities		1,088	725
		41,302	47,185
Total Liabilities		84,068	89,825
Total Equity and Liabilities		562,128	556,491
Net assets per share attributable to owners of the parent (RM)		5.78	5.64

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year to date ended 30.06.2021 RM'000	Year to date ended 30.06.2020 RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before tax	13,079	(906)
Adjustments for:-		
Amortisation and depreciation	17,015	17,393
Depreciation of right-of-use assets	887	881
Interest income	(115)	(138)
Interest expense	220	511
Interest on lease liabilities	18	16
Inventories written (back)/down	(5)	165
Net gain on disposal of property, plant and equipment	-	(233)
Provision for employment benefit obligation	53	3
(Reversal)/Provision of impairment losses on trade receivables	(84)	43
Unrealised (gain)/loss on foreign exchange differences	(607)	664
Loss/(Gain) on lease modification	10	(58)
Operating profit before changes in working capital	30,471	18,341
Net change in current assets	15	17,612
Net change in current liabilities	(11,676)	(6,308)
Tax paid	(1,469)	(1,304)
Net cash from operating activities	17,341	28,341
Cash Flows From Investing Activities		
Interest received	115	138
Proceeds from disposal of property, plant and equipment	-	252
Purchase of property, plant and equipment	(8,016)	(11,376)
Purchase of intangible asset	-	(12)
Net cash used in investing activities	(7,901)	(10,998)
Cash Flows From Financing Activities		
Interest paid	(220)	(511)
Net drawdown from bank borrowings	2,337	1,712
Repayment of lease liabilities	(284)	(264)
Net cash from financing activities	1,833	937

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year to date ended 30.06.2021 RM'000	Year to date ended 30.06.2020 RM'000
Net increase in cash and cash equivalents	11,273	18,280
Effects of exchange rate fluctuations on cash & cash equivalents	593	13
Cash and cash equivalents at beginning of the financial period	30,852	22,567
Cash and cash equivalents at end of the financial period	42,718	40,860
Cash and cash equivalents comprise of:		
Cash and bank balances	42,718	40,860
	42,718	40,860

(The Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2020)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					
	Non-distributable			Distributable		
	Share capital	Revaluation	Fair value	Exchange	Retained	Total
RM'000	reserve	reserve	translation	earnings	Equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 income	-	-	-	(134)	(1,082)	(1,216)
As at 30 June 2020	82,672	128,433	47	97	250,973	462,222
As at 1 January 2021	82,672	129,145	47	(531)	255,333	466,666
Profit for the financial period	-	-	-	-	11,657	11,657
Foreign currency translations, net of tax	-	-	-	(263)	-	(263)
Total comprehensive income	-	-	-	(263)	11,657	11,394
As at 30 June 2021	82,672	129,145	47	(794)	266,990	478,060

(The Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2020)

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 2020.

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 2020, except for the effects of newly issued Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”) applied during the current financial period:-

Title	Effective date
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendment to MFRS 16 <i>Covid 19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021 (early adoption)

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group.

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

Title	Effective date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts-Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment-Proceeds before Intended Use</i>	1 January 2022
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>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 2020 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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	29,517	22,992	64,248	50,683
- ASEAN	10,396	10,293	22,391	20,298
- Non-ASEAN	18,604	13,172	39,078	32,841
Total Segment Revenue	58,517	46,457	125,717	103,822

9 Segmental information (continued)

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

By Geographical Segment	Quarter ended		Year to date ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	3,126	3,618	7,995	11,319
- ASEAN	15	-	21	56
- Non-ASEAN	-	1	-	13
Total Segment Capital Expenditure	3,141	3,619	8,016	11,388

By Geographical Segment	As at	As at
	30.06.2021	31.12.2020
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	362,962	371,602
- ASEAN	45,861	46,283
- Non-ASEAN	504	180
Total Segment Non-Current Assets	409,327	418,065

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 Company were as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	38,474	30,335

13 Changes in contingent liabilities (continued)

The contingent liabilities of the Group were as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Bank guarantees given to vendors	<u>4,760</u>	<u>4,740</u>

14 Capital commitments

	As at 30.06.2021 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>5,508</u>
Approved but not contracted for	<u>30,946</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 2020”), revenue for the current quarter under review (“2Q 2021”) was higher by RM12.0 million or 25.8%. The increase was due to higher demand as well as increase in selling price. In addition, revenue for 2Q 2020 was negatively impacted by Movement Control Order (“MCO”) implemented in Malaysia as a result of COVID-19 pandemic whereby the manufacturing and trading operations were closed for April 2020. However, in the MCO implemented on 1 June 2021, the trading operation and limited exports were allowed to carry on business.

Profit Before Tax (“PBT”) increased by RM2.9 million or 131.8% from RM2.2 million in 2Q 2020 to RM5.1 million in 2Q 2021. After accounting for the differences arising from foreign exchange rate (“forex”) gain of RM4.2 million, the underlying profit performance was higher by RM7.1 million compared to 2Q 2020. The increase was mainly due to higher sales and higher selling price during the current quarter under review.

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

The Group recorded RM21.9 million or 21.1% increase in revenue from RM103.8 million in YTD 2Q 2020 to RM125.7 million in YTD 2Q 2021 as a result of higher demand, increase in selling price as well as higher number of working days.

PBT had increased by RM14.0 million from Loss Before Tax of RM0.9 million in YTD 2Q 2020 to PBT of RM13.1 million in YTD 2Q 2021. The increase was mainly due to higher sales and higher selling price.

16 Variation of results against preceding quarter

Compared to the preceding quarter (“1Q 2021”), revenue decreased by RM8.7 million or 12.9% from RM67.2 million in 1Q 2021 to RM58.5 million in 2Q 2021 due to lockdown being imposed in June 2021.

PBT in 2Q 2021 decreased by RM2.9 million or 36.3% from RM8.0 million in 1Q 2021 to RM5.1 million in 2Q 2021 mainly due to lower sales as well as shutdown of the manufacturing operation in June 2021.

17 Future Prospects

The spread of the highly infectious COVID-19 Delta variant across the world had resulted in new rounds of lockdowns globally. Malaysia was not spared, as government implemented a new lockdown from 1 June 2021 which remains enforced to date. The new strains of virus may slow the pace of global economic recovery.

Following the government’s announcement made on 15 August 2021, the Group is allowed to resume its manufacturing operation subject to fulfilling the conditions set. The Group has in place plans to kick start the manufacturing activity to meet the demand on hand both locally and overseas.

The Group will continue to strategise, adapt and navigate through the challenging business environment and to remain resilient in these uncertain times.

18 Profit forecast

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

19 Tax expense

	Quarter ended 30.06.2021 RM'000	Year to date ended 30.06.2021 RM'000
Current tax expense	583	1,508
Deferred tax	32	(86)
	615	1,422

The effective tax rate of the Group for the current quarter and year to date under review were lower than the statutory tax rate, mainly due to utilisation of Reinvestment Allowance and temporary differences arising from MFRS 16 group adjustments.

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

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Current liabilities		
<i>Unsecured:-</i>		
Bankers' acceptance	12,840	17,467
Foreign currency trade loan	9,780	3,940
Revolving credit	3,324	2,015
	25,944	23,422
Total borrowings		
Bankers' acceptances	12,840	17,467
Foreign currency trade loan	9,780	3,940
Revolving credit	3,324	2,015
	25,944	23,422

21 Group borrowings and debt securities (continued)

The currency exposure profile of borrowings is as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Ringgit Malaysia	12,840	17,467
US Dollar	13,104	5,955
	<u>25,944</u>	<u>23,422</u>

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 2021.

25 Earnings/(Loss) per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Quarter ended 30.06.2021	Quarter ended 30.06.2020	Year to date ended 30.06.2021	Year to date ended 30.06.2020
Net profit/(loss) attributable to owners of the parent (RM'000)	<u>4,462</u>	<u>2,441</u>	<u>11,657</u>	<u>(1,082)</u>
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)	5.40	2.95	14.10	(1.31)

26 Profit before tax

	Quarter ended 30.06.2021 RM'000	Year to date ended 30.06.2021 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	1	3
Depreciation of property, plant and equipment	8,439	17,012
Depreciation of right-of-use assets	451	887
Gain on foreign exchange:		
- Realised	(307)	(540)
- Unrealised	(775)	(1,674)
Interest expense	111	220
Interest on lease liabilities	10	18
Interest income	(72)	(115)
Inventories written back	(50)	(5)
Loss on foreign exchange:		
- Unrealised	875	1,067
Provision for employment benefit obligation	26	53
Rental income from investment properties	(204)	(387)
Loss on lease modification	-	10
Reversal of impairment losses on trade receivables	(224)	(84)

By Order of the Board

WONG YOUN KIM

Secretary

Kuala Lumpur
20 August 2021