



NEW HOONG FATT HOLDINGS BERHAD

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RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31.12.2021	Quarter ended 31.12.2020	Year to date ended 31.12.2021	Year to date ended 31.12.2020
		RM'000	RM'000	RM'000	RM'000
Revenue (1)		83,047	65,134	244,225	236,878
Cost of sales		(66,278)	(49,609)	(191,392)	(186,436)
Gross profit		16,769	15,525	52,833	50,442
Other operating income (1)		15,113	224	33,139	15,528
Net gain on impairment of financial instruments		161	342	162	52
Operating expenses		(19,820)	(8,049)	(60,358)	(50,605)
Finance costs		(142)	(170)	(515)	(921)
Profit before tax		12,081	7,872	25,261	14,496
Tax expense	19	(4,146)	(1,040)	(5,518)	(2,941)
Net profit for the period		7,935	6,832	19,743	11,555
Other comprehensive income/(loss):					
Foreign currency translations, net of tax		(92)	27	(198)	(762)
Revaluation surplus on land and buildings, net of tax	10	9,627	712	9,627	712
Remeasurement of employment benefit obligations		50	(10)	50	(10)
Total comprehensive income for the period		17,520	7,561	29,222	11,495
Profit attributable to owners of the parent		7,935	6,832	19,743	11,555
Total comprehensive income attributable to owners of the parent		17,520	7,561	29,222	11,495
Earnings per share attributable to owners of the parent	25				
Basic (sen)		9.60	8.26	23.88	13.98
Diluted (sen)		N.A.	N.A.	N.A.	N.A.

(1) Comparative figures for same period last year have been restated to reflect reclassification of freight recovery from revenue to other operating income.

(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)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	328,543	337,976
Right-of-use assets	10	61,952	57,308
Investment properties	10	23,470	22,000
Other investments		130	130
Intangible asset		1,020	11
Deferred tax asset		477	640
		415,592	418,065
Current Assets			
Inventories		67,927	52,878
Trade receivables		56,082	44,405
Other receivables, deposits & prepayments		11,152	9,635
Current tax assets		2,096	656
Cash and bank balances		54,563	30,852
		191,820	138,426
Total Assets		607,412	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		138,772	129,145
Exchange translation reserve		(729)	(531)
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		268,512	255,333
		406,602	383,994
Total Equity		489,274	466,666
Non-Current Liabilities			
Employment benefit obligation		330	392
Lease liabilities		372	397
Deferred tax liabilities		49,121	41,851
		49,823	42,640
Current Liabilities			
Trade payables		9,748	9,805
Other payables & accruals		20,418	12,887
Borrowings (interest bearing)	21	37,219	23,422
Lease liabilities		450	346
Current tax liabilities		434	725
Contract liabilities		46	-
		68,315	47,185
Total Liabilities		118,138	89,825
Total Equity and Liabilities		607,412	556,491
Net assets per share attributable to owners of the parent (RM)		5.92	5.64

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year to date ended 31.12.2021 RM'000	Year to date ended 31.12.2020 RM'000
Cash Flows From Operating Activities		
Profit before tax	25,261	14,496
Adjustments for:-		
Amortisation and depreciation	33,577	34,838
Depreciation of right-of-use assets	1,799	1,731
Bad debts written off/(recovered)	5	(4)
Interest income	(285)	(276)
Interest expense	484	891
Interest on lease liabilities	31	30
Inventories written down	190	450
Fair value gain on investment properties	(1,470)	-
Net gain on disposal of property, plant and equipment	(802)	(307)
Property, plant and equipment written off	14	4
Provision for employment benefit obligation	22	95
Reversal of impairment losses on trade receivables	(162)	(47)
Unrealised (gain)/loss on foreign exchange differences	(1,272)	1,876
Gain on lease modification	-	(6)
Operating profit before changes in working capital	57,392	53,771
Net change in current assets	(24,203)	4,108
Net change in current liabilities	4,239	907
Tax paid	(3,304)	(3,195)
Net cash from operating activities	34,124	55,591
Cash Flows From Investing Activities		
Interest received	285	276
Proceeds from disposal of property, plant and equipment	851	340
Purchase of property, plant and equipment	(17,334)	(22,408)
Purchase of intangible asset	(1,141)	(12)
Net cash used in investing activities	(17,339)	(21,804)
Cash Flows From Financing Activities		
Interest paid	(484)	(891)
Net drawdown from/(repayment of) bank borrowings	13,701	(15,365)
Repayment of lease liabilities	(587)	(508)
Dividend paid	(6,614)	(8,267)
Net cash from/(used in) financing activities	6,016	(25,031)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year to date ended 31.12.2021 RM'000	Year to date ended 31.12.2020 RM'000
Net increase in cash and cash equivalents	22,801	8,756
Effects of exchange rate fluctuations on cash & cash equivalents	910	(471)
Cash and cash equivalents at beginning of the financial period	30,852	22,567
Cash and cash equivalents at end of the financial period	54,563	30,852
 Cash and cash equivalents comprise of:		
Cash and bank balances	51,536	28,846
Short term placements	3,027	2,006
	54,563	30,852

(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 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 2020	82,672	128,433	47	231	252,055	463,438
Profit for the financial period	-	-	-	-	11,555	11,555
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)	11,545	11,495
Dividend paid	-	-	-	-	(8,267)	(8,267)
As at 31 December 2020	82,672	129,145	47	(531)	255,333	466,666
As at 1 January 2021	82,672	129,145	47	(531)	255,333	466,666
Profit for the financial period	-	-	-	-	19,743	19,743
Foreign currency translations, net of tax	-	-	-	(198)	-	(198)
Remeasurement of employment benefit obligation	-	-	-	-	50	50
Revaluation surplus on land and buildings, net of tax	-	9,627	-	-	-	9,627
Total comprehensive (loss)/income	-	9,627	-	(198)	19,795	29,222
Dividend paid	-	-	-	-	(6,614)	(6,614)
As at 31 December 2021	82,672	138,772	47	(729)	268,512	489,274

(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
Initial application of MFRS 17 and MFRS 9 <i>Comparative Information</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 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</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

	Quarter ended 31.12.2021 RM'000	Year to date ended 31.12.2021 RM'000
A final single tier dividend of 5 sen per ordinary share declared for financial year ended 2020, paid on 23 July 2021.	-	4,134
Interim single tier dividend of 3 sen per ordinary share declared for financial year ended 2021, paid on 24 December 2021.	<u>2,480</u>	<u>2,480</u>
Total single-tier dividends paid	<u>2,480</u>	<u>6,614</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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	41,611	33,567	130,377	122,047
- ASEAN	15,102	9,004	44,451	39,706
- Non-ASEAN	26,334	22,563	69,397	75,125
Total Segment Revenue	83,047	65,134	244,225	236,878

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

By Geographical Segment	Quarter ended		Year to date ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	7,627	5,942	18,436	22,328
- ASEAN	18	22	39	58
- Non-ASEAN	-	12	-	34
Total Segment Capital Expenditure	7,645	5,976	18,475	22,420

By Geographical Segment	As at 31.12.2021	As at 31.12.2020
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	364,610	371,602
- ASEAN	50,583	46,283
- Non-ASEAN	399	180
Total Segment Non-Current Assets	415,592	418,065

10 Valuation of Property, Plant and Equipment and Investment Properties

The Directors had conducted an internal valuation exercise on all its properties and investment properties based on existing use basis with reference to market evidence of transaction prices for similar properties and investment basis 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, 116 and 140.

Accordingly, a revaluation surplus of RM14.6 million had been incorporated into the Group's Property, Plant and Equipment and Investment Properties for the financial year ended 31 December 2021. The revaluation surplus (net of tax) was recognised in the Statements of Financial Position as Revaluation Reserve amounted to RM5.9 million for the Property, Plant and Equipment and RM3.7 million for the Right-of-use assets. RM1.5 million revaluation surplus for the Investment Properties was recognised in the Retained Earnings. As a result, the impact to the consolidated net assets value per share of the Group is an increase of RM0.18 per share in the current financial year.

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 31.12.2021 RM'000	As at 31.12.2020 RM'000
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	<u>48,643</u>	<u>30,335</u>

The contingent liabilities of the Group were as follows:

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Bank guarantees given to vendors	<u>4,758</u>	<u>4,740</u>

14 Capital commitments

	As at 31.12.2021 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>7,576</u>
Approved but not contracted for	<u>15,972</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 2020”), revenue for the current quarter under review (“4Q 2021”) was higher by RM17.9 million from RM65.1 million in 4Q 2020 to RM83.0 million in 4Q 2021. The increase was mainly due to higher selling price as a result of increased price of raw materials.

Profit Before Tax (“PBT”) increased by RM4.2 million from RM7.9 million in 4Q 2020 to RM12.1 million in 4Q 2021. The increase was mainly due to higher revenue and sundry income, and fair value gain from revaluation of Investment Properties.

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

The Group recorded RM7.3 million increase in revenue from RM236.9 million in YTD 4Q 2020 to RM244.2 million in YTD 4Q 2021 mainly due to higher demand in the local market and higher selling price as a result of increased price of raw materials.

PBT had increased by RM10.8 million from RM14.5 million in YTD 4Q 2020 to RM25.3 million in YTD 4Q 2021. The increase was mainly due to higher revenue and sundry income, favourable foreign exchange gain, and fair value gain from revaluation of Investment Properties.

16 Variation of results against preceding quarter

Compared to the preceding quarter (“3Q 2021”), revenue increased by RM43.0 million from RM40.0 million in 3Q 2021 to RM83.0 million in 4Q 2021. The jump was due to the Movement Control Order implemented in Malaysia that took place in 3Q 2021 as a result of COVID-19 pandemic which caused the shutdown of manufacturing operations for one and a half month.

As a result, PBT in 4Q 2021 increased by RM12.0 million from RM0.1 million in 3Q 2021 to RM12.1 million in 4Q 2021. The increase was mainly due to higher revenue.

17 Future Prospects

The Group expects the general outlook on the global and local business environment will gradually improve in line with the easing of COVID-19 restrictions. With the expectations of improved business sentiments, the Group expects consumer demand will be further restored in the months to come. Nevertheless, the global logistics issue and the resurgence of different variants of COVID-19 will continue to pose challenges to the Group’s business.

Notwithstanding, the Group will continue to meet the current and expected future demand and at the same time be vigilant and proactive in its approach to counter any situation that may arise in this rapidly changing and challenging business environment towards sustainable business growth.

18 Profit forecast

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

19 Tax expense

	Quarter ended 31.12.2021 RM'000	Year to date ended 31.12.2021 RM'000
Current tax (credit)/expense	(253)	1,573
Deferred tax	4,399	3,945
	<u>4,146</u>	<u>5,518</u>

The tax credit for the current quarter was due to reduced tax payable as a result of the Group claiming accelerated capital allowance for the current and prior year which resulted in a corresponding increase in deferred tax liability, thus increased effective tax rate for the current quarter.

The effective tax rate for the year to date was lower than the statutory tax rate mainly due to utilisation of unabsorbed tax losses in a foreign subsidiary, 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 31.12.2021 RM'000	As at 31.12.2020 RM'000
Current liabilities		
<i>Unsecured:-</i>		
Bankers' acceptance	20,861	17,467
Foreign currency trade loan	10,932	3,940
Revolving credit	5,426	2,015
Total borrowings	<u>37,219</u>	<u>23,422</u>
Total borrowings		
Bankers' acceptances	20,861	17,467
Foreign currency trade loan	10,932	3,940
Revolving credit	5,426	2,015
	<u>37,219</u>	<u>23,422</u>

The currency exposure profile of borrowings is as follows:

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Ringgit Malaysia	20,861	17,467
US Dollar	16,358	5,955
	<u>37,219</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 is pleased to propose a final single tier dividend of six (6) sen per ordinary share in respect of the financial year ended 31 December 2021 amounting to RM4,960,335.60 (2020: final single tier dividend of five (5) sen per ordinary share, RM4,133,613).

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> <u>31.12.2021</u>	<u>Quarter ended</u> <u>31.12.2020</u>	<u>Year to date ended</u> <u>31.12.2021</u>	<u>Year to date ended</u> <u>31.12.2020</u>
Net profit attributable to owners of the parent (RM'000)	7,935	6,832	19,743	11,555
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)	9.60	8.26	23.88	13.98

26 Profit before tax

	Quarter ended 31.12.2021 RM'000	Year to date ended 31.12.2021 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	128	133
Bad debt written off	5	5
Depreciation of property, plant and equipment	8,188	33,444
Depreciation of right-of-use assets	460	1,799
Fair value gain on investment properties	(1,470)	(1,470)
Gain on disposal of property, plant and equipment	(802)	(802)
Gain on foreign exchange:		
- Realised	(388)	(1,261)
- Unrealised	(823)	(3,669)
Interest expense	136	484
Interest on lease liabilities	5	31
Interest income	(86)	(285)
Inventories written (back)/down	(38)	190
Loss on foreign exchange:		
- Realised	2	20
- Unrealised	978	2,397
Property, plant and equipment written off	14	14
(Reversal)/Provision for employment benefit obligation	(59)	22
Rental income from investment properties	(204)	(741)
Reversal of impairment losses on trade receivables	(161)	(162)

By Order of the Board

WONG YOUN KIM

Secretary

Kuala Lumpur
22 February 2022