



NEW HOONG FATT HOLDINGS BERHAD

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RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31.03.2022	Quarter ended 31.03.2021	Year to date ended 31.03.2022	Year to date ended 31.03.2021
		RM'000	RM'000	RM'000	RM'000
Revenue		70,664	65,175	70,664	65,175
Cost of sales		(54,702)	(48,320)	(54,702)	(48,320)
Gross profit		15,962	16,855	15,962	16,855
Other operating income		10,525	6,007	10,525	6,007
Net gain/(loss) on impairment of financial instruments		13	(140)	13	(140)
Operating expenses		(16,365)	(14,603)	(16,365)	(14,603)
Finance costs		(158)	(117)	(158)	(117)
Profit before tax		9,977	8,002	9,977	8,002
Tax expense	19	(1,772)	(807)	(1,772)	(807)
Net profit for the period		8,205	7,195	8,205	7,195
Other comprehensive loss:					
Foreign currency translations, net of tax		(34)	(109)	(34)	(109)
Total comprehensive income for the period		8,171	7,086	8,171	7,086
Profit attributable to owners of the parent		8,205	7,195	8,205	7,195
Total comprehensive income attributable to owners of the parent		8,171	7,086	8,171	7,086
Earnings per share attributable to owners of the parent	25				
Basic (sen)		9.92	8.70	9.92	8.70
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 2021)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		325,880	328,543
Right-of-use assets		61,475	61,952
Investment properties		23,470	23,470
Other investments		130	130
Intangible asset		924	1,020
Deferred tax asset		509	477
		412,388	415,592
Current Assets			
Inventories		68,608	67,927
Trade receivables		52,728	56,082
Other receivables, deposits & prepayments		11,741	10,995
Current tax assets		1,480	2,096
Cash and bank balances		49,205	54,562
		183,762	191,662
Total Assets		596,150	607,254
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	138,772
Exchange translation reserve		(763)	(729)
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		276,558	268,353
		414,614	406,443
Total Equity		497,286	489,115
Non-Current Liabilities			
Employment benefit obligation		334	330
Lease liabilities		389	372
Deferred tax liabilities		49,378	49,122
		50,101	49,824
Current Liabilities			
Trade payables		11,667	9,748
Other payables & accruals		8,592	20,418
Borrowings (interest bearing)	21	27,691	37,219
Lease liabilities		216	450
Current tax liabilities		504	434
Contract liabilities		93	46
		48,763	68,315
Total Liabilities		98,864	118,139
Total Equity and Liabilities		596,150	607,254
Net assets per share attributable to owners of the parent (RM)		6.02	5.92

(The Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2021)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year to date ended 31.03.2022 RM'000	Year to date ended 31.03.2021 RM'000
Cash Flows From Operating Activities		
Profit before tax	9,977	8,002
Adjustments for:-		
Amortisation and depreciation	7,922	8,575
Depreciation of right-of-use assets	680	436
Interest income	(80)	(43)
Interest expense	152	109
Interest on lease liabilities	6	8
Inventories written down	105	45
Net gain on disposal of property, plant and equipment	(68)	-
Property, plant & equipment written off	6	-
Provision for employment benefit obligation	19	27
(Reversal)/Provision of impairment losses on trade receivables	(12)	140
Unrealised gain on foreign exchange differences	(409)	(707)
Loss on lease modification	-	10
Operating profit before changes in working capital	18,298	16,602
Net change in current assets	826	(1,222)
Net change in current liabilities	(10,100)	(3,052)
Tax paid	(861)	(855)
Net cash from operating activities	8,163	11,473
Cash Flows From Investing Activities		
Interest received	80	43
Proceeds from disposal of property, plant and equipment	93	-
Purchase of property, plant and equipment	(3,904)	(4,875)
Purchase of intangible asset	-	-
Net cash used in investing activities	(3,731)	(4,832)
Cash Flows From Financing Activities		
Interest paid	(152)	(109)
Net repayment of bank borrowings	(9,514)	(3,831)
Repayment of lease liabilities	(252)	(139)
Net cash used in financing activities	(9,918)	(4,079)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year to date ended 31.03.2022 RM'000	Year to date ended 31.03.2021 RM'000
Net (decrease)/ increase in cash and cash equivalents	(5,486)	2,562
Effects of exchange rate fluctuations on cash & cash equivalents	129	(644)
Cash and cash equivalents at beginning of the financial period	54,562	30,852
Cash and cash equivalents at end of the financial period	49,205	32,770
 Cash and cash equivalents comprise of:		
Cash and bank balances	46,164	28,270
Short term placements	3,041	4,500
	49,205	32,770

(The Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2021)

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 2021	82,672	129,145	47	(531)	255,333	466,666
Profit for the financial period	-	-	-	-	7,195	7,195
Foreign currency translations, net of tax	-	-	-	(109)	-	(109)
Total comprehensive income	-	-	-	(109)	7,195	7,086
As at 31 March 2021	82,672	129,145	47	(640)	262,528	473,752
As at 1 January 2022	82,672	138,772	47	(729)	268,353	489,115
Profit for the financial period	-	-	-	-	8,205	8,205
Foreign currency translations, net of tax	-	-	-	(34)	-	(34)
Total comprehensive income	-	-	-	(34)	8,205	8,171
As at 31 March 2022	82,672	138,772	47	(763)	276,558	497,286

(The Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2021)

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 2021.

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 2021, 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
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

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
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 2021 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	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	38,658	34,731	38,658	34,731
- ASEAN	12,529	11,995	12,529	11,995
- Non-ASEAN	19,477	18,449	19,477	18,449
Total Segment Revenue	70,664	65,175	70,664	65,175

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	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	3,877	4,869	3,877	4,869
- ASEAN	27	6	27	6
- Non-ASEAN	-	-	-	-
Total Segment Capital Expenditure	3,904	4,875	3,904	4,875

By Geographical Segment	As at	As at
	31.03.2022	31.12.2021
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	361,723	364,610
- ASEAN	50,249	50,583
- Non-ASEAN	416	399
Total Segment Non-Current Assets	412,388	415,592

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 31.03.2022 RM'000	As at 31.12.2021 RM'000
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	<u>38,522</u>	<u>48,643</u>

The contingent liabilities of the Group were as follows:

	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
Bank guarantees given to vendors	<u>4,480</u>	<u>4,758</u>

14 Capital commitments

	As at 31.03.2022 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>8,541</u>
Approved but not contracted for	<u>32,846</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 (“1Q 2021”), revenue for the current quarter under review (“1Q 2022”) was higher by RM5.5 million from RM65.2 million in 1Q 2021 to RM70.7 million in 1Q 2022. The increase was mainly due to better sales performance in both local and export segments as compared to 1Q 2021.

Profit Before Tax (“PBT”) increased by RM2.0 million from RM8.0 million in 1Q 2021 to RM10.0 million in 1Q 2022, in line with higher revenue as mentioned above.

16 Variation of results against preceding quarter

Compared to the preceding quarter (“4Q 2021”), revenue decreased by RM12.3 million from RM83.0 million in 4Q 2021 to RM70.7 million in 1Q 2022. The lower revenue from the export markets was mainly due to export surge in 4Q 2021 which resulted in a lower demand for 1Q 2022, whereas lower revenue from the local market was due to slower market recovery coupled with the Chinese New Year festive this quarter.

PBT for preceding quarter was positively impacted by fair value gain from revaluation of Investment Properties of RM1.5 million. Excluding the aforementioned, PBT in 1Q 2022 decreased by RM0.6 million on lower sales offset by higher selling prices.

17 Future Prospects

Global economy continues to grow, albeit moderately, due to the lingering effects of the COVID-19 pandemic, prolonged global supply disruptions, inflation due to supply factors, and increased volatility surrounding the Russia-Ukraine war. Nonetheless, the progressive transition of many countries to endemic management of COVID-19 will boost global growth prospects, which will in turn boost export demand from overseas markets.

On the local front, Malaysia transited into endemic phase on 1 April 2022. The reopening of economy and international borders, as well as the normalisation of economic and social activities had rebuilt business confidence resulting in a gradual revival of the local economy.

The Group anticipates that steel prices will remain high due to strong demand driven by the easing of COVID-19 restrictions, the headwinds brought on by the Ukraine war as well as China’s measures to reduce carbon emissions curtailing output of steel. The price of plastic resin is expected to rise due to rising crude oil prices. Meanwhile, high freight and shipping costs, as well as tight supply of containers are unlikely to improve in the near future, posing challenges to the Group’s export sales. On top of that, the revision of the minimum wage in Malaysia which came into effect on 1 May 2022 will increase labour costs. On the bright side, the Group expects that the reopening of foreign worker recruitment for industries in Malaysia will help to alleviate its labour crunch issue.

Amid the prevailing uncertainties and challenges, the Group will remain focus on managing operational efficiency in its production and carrying out effective pricing management in order to manage rising material costs. Barring any unforeseen circumstances, the Group expects the financial performance for the current financial year to be satisfactory.

18 Profit forecast

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

19 Tax expense

	Quarter ended 31.03.2022 RM'000	Year to date ended 31.03.2022 RM'000
Current tax expense	1,547	1,547
Deferred tax	225	225
	<u>1,772</u>	<u>1,772</u>

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate, mainly 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.

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 31.03.2022 RM'000	As at 31.12.2021 RM'000
Current liabilities		
<i>Unsecured:-</i>		
Bankers' acceptance	15,714	20,861
Foreign currency trade loan	9,034	10,932
Revolving credit	2,943	5,426
	<u>27,691</u>	<u>37,219</u>
Total borrowings		
	<u>27,691</u>	<u>37,219</u>
Total borrowings		
Bankers' acceptances	15,714	20,861
Foreign currency trade loan	9,034	10,932
Revolving credit	2,943	5,426
	<u>27,691</u>	<u>37,219</u>

The currency exposure profile of borrowings is as follows:

	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
Ringgit Malaysia	24,748	20,861
US Dollar	2,943	16,358
	<u>27,691</u>	<u>37,219</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 31 March 2022.

25 Earnings per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Quarter ended 31.03.2022</u>	<u>Quarter ended 31.03.2021</u>	<u>Year to date ended 31.03.2022</u>	<u>Year to date ended 31.03.2021</u>
Net profit attributable to owners of the parent (RM'000)	8,204	7,195	8,204	7,195
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)	9.92	8.70	9.92	8.70

26 Profit before tax

	Quarter ended 31.03.2022 RM'000	Year to date ended 31.03.2022 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	97	97
Depreciation of property, plant and equipment	7,825	7,825
Depreciation of right-of-use assets	680	680
Gain on foreign exchange:		
- Realised	(124)	(124)
- Unrealised	(493)	(493)
Interest expense	152	152
Interest on lease liabilities	6	6
Interest income	(80)	(80)
Gain on disposal of property, plant and equipment	(68)	(68)
Inventories written down	104	104
Property, plant and equipment written off	6	6
Loss on foreign exchange:		
- Unrealised	83	83
Provision for employment benefit obligation	19	19
Rental income from investment properties	(204)	(204)
Reversal of impairment losses on Trade Receivables	(12)	(12)

By Order of the Board

WONG YOUN KIM

Secretary

Kuala Lumpur

24 May 2022