



NEW HOONG FATT HOLDINGS BERHAD

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UNAUDITED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 30.06.2022	Quarter ended 30.06.2021	Year to date ended 30.06.2022	Year to date ended 30.06.2021
		RM'000	RM'000	RM'000	RM'000
Revenue		75,424	55,987	146,088	121,162
Cost of sales		(58,003)	(43,087)	(112,705)	(91,407)
Gross profit		17,421	12,900	33,383	29,755
Other operating income		10,362	5,852	20,887	11,859
Net (loss)/gain on impairment of financial instruments		(128)	224	(115)	84
Operating expenses		(16,459)	(13,778)	(32,824)	(28,381)
Finance costs		(140)	(121)	(298)	(238)
Profit before tax		11,056	5,077	21,033	13,079
Tax expense	19	(2,264)	(615)	(4,037)	(1,422)
Net profit for the period		8,792	4,462	16,996	11,657
Other comprehensive loss:					
Foreign currency translations, net of tax		(3)	(154)	(36)	(263)
Total comprehensive income for the period		8,789	4,308	16,960	11,394
Profit attributable to owners of the parent		8,792	4,462	16,996	11,657
Total comprehensive income attributable to owners of the parent		8,789	4,308	16,960	11,394
Earnings per share attributable to owners of the parent	25				
Basic (sen)		10.64	5.40	20.56	14.10
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 30.06.2022 RM'000 (Unaudited)	As at 31.12.2021 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment		324,645	328,543
Right-of-use assets		61,121	61,952
Investment properties		23,470	23,470
Other investments		130	130
Intangible asset		827	1,020
Deferred tax asset		521	477
		410,714	415,592
Current Assets			
Inventories		67,635	67,927
Trade receivables		56,923	56,082
Other receivables, deposits & prepayments		8,645	10,995
Current tax assets		605	2,096
Cash and bank balances		56,748	54,562
		190,556	191,662
Total Assets		601,270	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		(765)	(729)
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		285,349	268,353
		423,403	406,443
Total Equity		506,075	489,115
Non-Current Liabilities			
Employment benefit obligation		349	330
Lease liabilities		539	372
Deferred tax liabilities		49,960	49,122
		50,848	49,824
Current Liabilities			
Trade payables		8,512	9,748
Other payables & accruals		11,147	20,418
Borrowings (interest bearing)	21	23,761	37,219
Lease liabilities		134	450
Current tax liabilities		634	434
Contract liabilities		159	46
		44,347	68,315
Total Liabilities		95,195	118,139
Total Equity and Liabilities		601,270	607,254
Net assets per share attributable to owners of the parent (RM)		6.12	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 30.06.2022 RM'000	Year to date ended 30.06.2021 RM'000
Cash Flows From Operating Activities		
Profit before tax	21,033	13,079
Adjustments for:-		
Amortisation and depreciation	15,735	17,015
Depreciation of right-of-use assets	1,363	887
Interest income	(185)	(115)
Interest expense	287	220
Interest on lease liabilities	11	18
Inventories written down/(back)	24	(5)
Net gain on disposal of property, plant and equipment	(72)	-
Property, plant & equipment written off	7	-
Provision for employment benefit obligation	41	53
Provision /(Reversal)of impairment losses on trade receivables	115	(84)
Unrealised gain on foreign exchange differences	(881)	(607)
Loss on lease modification	157	10
Operating profit before changes in working capital	37,635	30,471
Net change in current assets	2,769	15
Net change in current liabilities	(11,641)	(11,676)
Tax paid	(1,548)	(1,469)
Net cash from operating activities	27,215	17,341
Cash Flows From Investing Activities		
Interest received	185	115
Proceeds from disposal of property, plant and equipment	97	-
Purchase of property, plant and equipment	(11,630)	(8,016)
Purchase of intangible asset	-	-
Net cash used in investing activities	(11,348)	(7,901)
Cash Flows From Financing Activities		
Interest paid	(287)	(220)
Net (repayment)/drawdown of bank borrowings	(13,480)	2,337
Repayment of lease liabilities	(345)	(284)
Net cash (used in)/from financing activities	(14,112)	1,833

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year to date ended 30.06.2022 RM'000	Year to date ended 30.06.2021 RM'000
Net increase in cash and cash equivalents	1,755	11,273
Effects of exchange rate fluctuations on cash & cash equivalents	431	593
Cash and cash equivalents at beginning of the financial period	54,562	30,852
Cash and cash equivalents at end of the financial period	56,748	42,718
 Cash and cash equivalents comprise of:		
Cash and bank balances	53,693	42,692
Short term placements	3,055	26
	56,748	42,718

(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	-	-	-	-	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
As at 1 January 2022	82,672	138,772	47	(729)	268,353	489,115
Profit for the financial period	-	-	-	-	16,996	16,996
Foreign currency translations, net of tax	-	-	-	(36)	-	(36)
Total comprehensive income	-	-	-	(36)	16,996	16,960
As at 30 June 2022	82,672	138,772	47	(765)	285,349	506,075

(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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	42,540	29,517	81,198	64,248
- ASEAN	13,589	10,396	26,118	22,391
- Non-ASEAN	19,295	16,074	38,772	34,523
Total Segment Revenue	75,424	55,987	146,088	121,162

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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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	7,726	3,126	11,603	7,995
- ASEAN	-	15	27	21
- Non-ASEAN	-	-	-	-
Total Segment Capital Expenditure	7,726	3,141	11,630	8,016

By Geographical Segment	As at	As at
	30.06.2022	31.12.2021
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	360,304	364,610
- ASEAN	50,051	50,583
- Non-ASEAN	359	399
Total Segment Non-Current Assets	410,714	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 30.06.2022 RM'000	As at 31.12.2021 RM'000
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	<u>30,447</u>	<u>48,643</u>

The contingent liabilities of the Group were as follows:

	As at 30.06.2022 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 30.06.2022 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>6,559</u>
Approved but not contracted for	<u>31,060</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 2021”), revenue for the current quarter under review (“2Q 2022”) was higher by RM19.4 million from RM56.0 million in 2Q 2021 to RM75.4 million in 2Q 2022. The Group recorded a lower revenue in 2Q 2021 due to the implementation of the Full Movement Control Order for the month of June 2021, where operations were opened with very limited capacity.

Profit Before Tax (“PBT”) increased by RM6.0 million from RM5.1 million in 2Q 2021 to RM11.1 million in 2Q 2022, in line with higher revenue and higher other operating income.

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

The Group recorded RM24.9 million or 20.5% increase in revenue from RM121.2 million in YTD 2Q 2021 to RM146.1 million in YTD 2Q 2022 as a result of higher demand in the current YTD in both the local and export segments. In addition, the lower revenue recorded in YTD 2Q 2021 was due to the aforesaid limited operations in June 2021.

PBT had increased by RM7.9 million from RM13.1 million in YTD 2Q 2021 to RM21.0 million in YTD 2Q 2022. The increase was mainly due to higher revenue as well as other operating income.

16 Variation of results against preceding quarter

Compared to the preceding quarter (“1Q 2022”), revenue increased by RM4.7 million from RM70.7 million in 1Q 2022 to RM75.4 million in 2Q 2022. The higher revenue was mainly due to higher demand in the local market.

PBT in 2Q 2022 increased by RM1.1 million or 11.0% from RM10.0 million in 1Q 2022 to RM11.1 million in 2Q 2022 mainly due to improved revenue in the current quarter.

17 Future Prospects

The economic impact of the ongoing military conflict in Ukraine is being felt more widely around the world. It has threatened the global economic recovery by creating more uncertainties and exacerbating supply shocks and prices of global commodities such as crude oil and natural gas. Amidst an already turbulent backdrop of global disrupted supply chains following the COVID-19 outbreak, the crisis has further intensified inflationary pressures which may erode consumer purchasing power and soften consumer demand. The strict containment measures in China have also prolonged the supply chain disruptions and aggravated shortages in critical industries. At the same time, the global automotive industry is still struggling with the shortage of semiconductor chip supply, which is not expected to subside in the immediate term.

Malaysian economic growth continued to strengthen, supported by the improved economic conditions and the transition into endemicity. However, the domestic economic boost may be dampened by the aforementioned headwinds to global growth, particularly the pandemic and war-related supply bottlenecks as well as the related inflationary pressures.

17 Future Prospects (continued)

In spite of the challenging economic backdrop, the Group experienced a rebound in the demand for automotive spare parts from both domestic and export markets. Nonetheless, the Group's efforts to raise production to fulfil pent-up export demand are hampered by the persistent supply chain challenges, high raw material prices, delivery delays due to tight supply of shipping containers and labour shortages, none of which are expected to be resolved in the foreseeable future. Meanwhile, on the domestic front, demand has surged notably owing to increased people's mobility and vehicular traffic on the road.

During these turbulent times, the Group will continue to strive to generate higher revenues and profits with optimal quantities from market demand, while managing production costs at the most efficient level. The Group is cautiously optimistic about the overall outlook of the automotive aftermarket industry and will further drive operational efficiency improvements, digitalisation of business and talent development to sustain future business growth. Barring any unforeseen circumstances, the Group expects a satisfactory financial performance for the current financial year.

18 Profit forecast

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

19 Tax expense

	Quarter ended 30.06.2022 RM'000	Year to date ended 30.06.2022 RM'000
Current tax expense	1,692	3,239
Deferred tax	572	798
	2,264	4,037

The effective tax rate of the Group for the current quarter and year to date under review was lower than the statutory tax 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

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Current liabilities		
<i>Unsecured:-</i>		
Bankers' acceptance	10,190	20,861
Foreign currency trade loan	10,489	10,932
Revolving credit	3,082	5,426
	23,761	37,219
Total borrowings	23,761	37,219

21 Group borrowings and debt securities (continued)**Total borrowings**

Bankers' acceptances	10,190	20,861
Foreign currency trade loan	10,489	10,932
Revolving credit	3,082	5,426
	23,761	37,219
	23,761	37,219

The currency exposure profile of borrowings is as follows:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Ringgit Malaysia	10,190	20,861
US Dollar	13,571	16,358
	23,761	37,219
	23,761	37,219

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 2022.

25 Earnings per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Quarter ended 30.06.2022	Quarter ended 30.06.2021	Year to date ended 30.06.2022	Year to date ended 30.06.2021
Net profit attributable to owners of the parent (RM'000)	8,792	4,462	16,996	11,657
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)	10.64	5.40	20.56	14.10

26 Profit before tax

	Quarter ended 30.06.2022 RM'000	Year to date ended 30.06.2022 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	96	193
Depreciation of property, plant and equipment	7,717	15,542
Depreciation of right-of-use assets	683	1,363
Gain on foreign exchange:		
- Realised	(579)	(703)
- Unrealised	(1,288)	(1,781)
Interest expense	135	287
Interest on lease liabilities	5	11
Interest income	(105)	(185)
Gain on disposal of property, plant and equipment	(4)	(72)
Inventories written (back)/down	(80)	24
Property, plant and equipment written off	1	7
Loss on foreign exchange:		
- Unrealised	816	899
Provision for employment benefit obligation	22	41
Rental income from investment properties	(209)	(413)
Provision of impairment losses on Trade Receivables	127	115

By Order of the Board

WONG YOUN KIM
SecretaryKuala Lumpur
17 August 2022