



NEW HOONG FATT HOLDINGS BERHAD

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UNAUDITED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 30.09.2022	Quarter ended 30.09.2021	Year to date ended 30.09.2022	Year to date ended 30.09.2021
		RM'000	RM'000	RM'000	RM'000
Revenue		77,114	40,015	223,202	161,178
Cost of sales		(59,271)	(33,707)	(171,976)	(125,114)
Gross profit		17,843	6,308	51,226	36,064
Other operating income		10,214	6,167	31,101	18,025
Net gain/(loss) on impairment of financial instruments		116	(82)	1	1
Operating expenses		(16,282)	(12,157)	(49,105)	(40,537)
Finance costs		(155)	(135)	(453)	(373)
Profit before tax		11,736	101	32,770	13,180
Tax (expense)/credit	19	(2,453)	50	(6,490)	(1,372)
Net profit for the period		9,283	151	26,280	11,808
Other comprehensive income/(loss):					
Foreign currency translations, net of tax		302	157	266	(106)
Total comprehensive income for the period		9,585	308	26,546	11,702
Profit attributable to owners of the parent		9,283	151	26,280	11,808
Total comprehensive income attributable to owners of the parent		9,585	308	26,546	11,702
Earnings per share attributable to owners of the parent	25				
Basic (sen)		11.23	0.18	31.79	14.28
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 30.09.2022 RM'000 (Unaudited)	As at 31.12.2021 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment		321,220	328,543
Right-of-use assets		61,231	61,952
Investment properties		23,470	23,470
Other investments		130	130
Intangible asset		731	1,020
Deferred tax asset		534	477
		407,316	415,592
Current Assets			
Inventories		62,638	67,927
Trade receivables		54,476	56,082
Other receivables, deposits & prepayments		9,775	10,995
Current tax assets		314	2,096
Cash and bank balances		60,431	54,562
		187,634	191,662
Total Assets		594,950	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		(463)	(729)
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		289,673	268,353
		428,029	406,443
Total Equity		510,701	489,115
Non-Current Liabilities			
Employment benefit obligation		370	330
Lease liabilities		529	372
Deferred tax liabilities		50,529	49,122
		51,428	49,824
Current Liabilities			
Trade payables		8,932	9,748
Other payables & accruals		9,851	20,418
Borrowings (interest bearing)	21	12,599	37,219
Lease liabilities		57	450
Current tax liabilities		1,206	434
Contract liabilities		176	46
		32,821	68,315
Total Liabilities		84,249	118,139
Total Equity and Liabilities		594,950	607,254
Net assets per share attributable to owners of the parent (RM)		6.18	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 30.09.2022 RM'000	Year to date ended 30.09.2021 RM'000
Cash Flows From Operating Activities		
Profit before tax	32,770	13,180
Adjustments for:-		
Amortisation and depreciation	23,395	25,261
Depreciation of right-of-use assets	2,082	1,339
Interest income	(318)	(199)
Interest expense	437	349
Interest on lease liabilities	16	26
Inventories written (back)/down	(221)	228
Net gain on disposal of property, plant and equipment	(238)	-
Property, plant & equipment written off	16	-
Provision for employment benefit obligation	66	81
Reversal of impairment losses on Trade Receivables	(1)	(1)
Unrealised gain on foreign exchange differences	(2,143)	(1,428)
Loss on lease modification	157	280
Operating profit before changes in working capital	56,018	39,116
Net change in current assets	10,598	(1,447)
Net change in current liabilities	(13,325)	(5,776)
Tax paid	(2,531)	(2,328)
Net cash from operating activities	50,760	29,565
Cash Flows From Investing Activities		
Interest received	318	199
Proceeds from disposal of property, plant and equipment	289	-
Purchase of property, plant and equipment	(15,743)	(10,830)
Purchase of intangible asset	(1)	-
Net cash used in investing activities	(15,137)	(10,631)
Cash Flows From Financing Activities		
Interest paid	(437)	(349)
Net (repayment)/drawdown of bank borrowings	(25,088)	8,487
Repayment of lease liabilities	(446)	(697)
Dividend paid	(4,960)	(4,134)
Net cash (used in)/from financing activities	(30,931)	3,307

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year to date ended 30.09.2022 RM'000	Year to date ended 30.09.2021 RM'000
Net increase in cash and cash equivalents	4,692	22,241
Effects of exchange rate fluctuations on cash & cash equivalents	1,177	740
Cash and cash equivalents at beginning of the financial period	54,562	30,852
Cash and cash equivalents at end of the financial period	60,431	53,833
 Cash and cash equivalents comprise of:		
Cash and bank balances	57,358	48,829
Short term placements	3,073	5,004
	60,431	53,833

(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	-	-	-	-	11,808	11,808
Foreign currency translations, net of tax	-	-	-	(106)	-	(106)
Total comprehensive (loss)/income	-	-	-	(106)	11,808	11,702
Dividend paid					(4,134)	(4,134)
As at 30 September 2021	82,672	129,145	47	(637)	263,007	474,234
As at 1 January 2022	82,672	138,772	47	(729)	268,353	489,115
Profit for the financial period	-	-	-	-	26,280	26,280
Foreign currency translations, net of tax	-	-	-	266	-	266
Total comprehensive income	-	-	-	266	26,280	26,546
Dividend paid					(4,960)	(4,960)
As at 30 September 2022	82,672	138,772	47	(463)	289,673	510,701

(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

	Quarter ended 30.09.2022 RM'000	Year to date ended 30.09.2022 RM'000
A final single tier dividend of 6 sen per ordinary share declared for financial year ended 2021, paid on 22 July 2022.	<u>4,960</u>	<u>4,960</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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	42,510	24,518	123,708	88,766
- ASEAN	14,269	6,941	40,387	29,332
- Non-ASEAN	20,335	8,556	59,107	43,080
Total Segment Revenue	77,114	40,015	223,202	161,178

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

By Geographical Segment	Quarter ended		Year to date ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	4,109	2,814	15,712	10,809
- ASEAN	1	-	28	21
- Non-ASEAN	3	-	3	-
Total Segment Capital Expenditure	4,113	2,814	15,743	10,830

By Geographical Segment	As at 30.09.2022	As at 31.12.2021
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	356,670	364,610
- ASEAN	50,356	50,583
- Non-ASEAN	290	399
Total Segment Non-Current Assets	407,316	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 30.09.2022 RM'000	As at 31.12.2021 RM'000
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	<u>19,834</u>	<u>48,643</u>

The contingent liabilities of the Group were as follows:

	As at 30.09.2022 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 30.09.2022 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>7,426</u>
Approved but not contracted for	<u>26,133</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 (“3Q 2021”), revenue for the current quarter under review (“3Q 2022”) was higher by RM37.1 million from RM40.0 million in 3Q 2021 to RM77.1 million in 3Q 2022. The Group recorded a higher revenue in 3Q 2022, underpinned by higher revenue in both domestic and export markets.

Profit Before Tax (“PBT”) increased by RM11.6 million from RM0.1 million in 3Q 2021 to RM11.7 million in 3Q 2022, in line with higher revenue and improved margins.

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

The Group recorded RM62.0 million or 38.5% increase in revenue from RM161.2 million in YTD 3Q 2021 to RM223.2 million in YTD 3Q 2022. The higher revenue recorded in YTD 3Q 2022 was underpinned by higher revenue in both domestic and export markets.

PBT had increased by RM19.6 million from RM13.2 million in YTD 3Q 2021 to RM32.8 million in YTD 3Q 2022. The increase was mainly due to higher revenue and improved margins.

16 Variation of results against preceding quarter

Compared to preceding quarter (“2Q 2022”), revenue increased marginally by RM1.7 million from RM75.4 million in 2Q 2022 to RM77.1 million in 3Q 2022.

PBT in 3Q 2022 increased by RM0.6 million or 5.4% from RM11.1 million in 2Q 2022 to RM11.7 million in 3Q 2022 mainly due to improved revenue in the current quarter.

17 Future Prospects

The global economy is weakening amid persistent inflation and recession fears. The aggressive moves by the US Federal Reserve to raise interest rates to curb inflation, the ongoing military conflict in Ukraine, continuous US-China trade tensions, the slowdown in China and managed reduction in oil production are all set to further weigh on global growth ahead.

The strengthening of the US dollar over the past few months has impacted many countries with US dollar-denominated debt. This has and will continue to affect the Group’s exports for the foreseeable future. Despite the drop in freight costs, export sales are also anticipated to be further affected by the weak buying sentiment on recession fears. At the same time, though logistical bottlenecks may have eased due to lower demand in the US and Europe, there are still local port challenges that hinder smooth operational efficiency. As economic growth slows down, strong competitive market pressure is expected at all fronts competing for market volume. China’s ongoing zero-COVID policy is likely to continue to impact negatively on China market and all its trading counterparts.

The weakening global economy will lead the Malaysian economy to slower growth ahead. High inflation is reducing disposable income and eroding consumer buying power. However, the growing pool of vehicles on the road provides a steady demand for the Group’s products. This will increase people’s mobility and traffic which has surged in 2022 following a lift of travel ban.

17 Future Prospects (continued)

In the face of a volatile and uncertain market environment, the Group will continue to stay flexible and adaptable to the changing landscape. The Group will strive to maintain its growth momentum and to pursue operational efficiencies in order to maintain its profitability. The Group expects a satisfactory full-year financial result for 2022.

18 Profit forecast

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

19 Tax expense

	Quarter ended 30.09.2022 RM'000	Year to date ended 30.09.2022 RM'000
Current tax expense	1,848	5,087
Deferred tax	605	1,403
	<u>2,453</u>	<u>6,490</u>

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 30.09.2022 RM'000	As at 31.12.2021 RM'000
Current liabilities		
<i>Unsecured:-</i>		
Bankers' acceptance	2,064	20,861
Foreign currency trade loan	7,289	10,932
Revolving credit	3,246	5,426
	<u>12,599</u>	<u>37,219</u>
Total borrowings	<u>12,599</u>	<u>37,219</u>

21 Group borrowings and debt securities (continued)

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Total borrowings		
Bankers' acceptances	2,064	20,861
Foreign currency trade loan	7,289	10,932
Revolving credit	3,246	5,426
	<u>12,599</u>	<u>37,219</u>

The currency exposure profile of borrowings is as follows:

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Ringgit Malaysia	2,064	20,861
US Dollar	10,535	16,358
	<u>12,599</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 is pleased to declare an interim single tier dividend of 3 sen per ordinary share in respect of the financial year ending 31 December 2022 amounting to RM2,480,167.80 (2021: interim single tier 3 sen per ordinary share, RM2,480,167.80).

The dividend will be paid on 23 December 2022 to shareholders registered in the Record of Depositors as at 5.00 pm on 12 December 2022.

The interim dividend will be accounted for as an appropriation of retained earnings in the year in which it is declared.

25 Earnings per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Quarter ended</u> 30.09.2022	<u>Quarter ended</u> 30.09.2021	<u>Year to date ended</u> 30.09.2022	<u>Year to date ended</u> 30.09.2021
Net profit attributable to owners of the parent (RM'000)	9,283	151	26,280	11,808
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)	11.23	0.18	31.79	14.28

26 Profit before tax

	Quarter ended 30.09.2022 RM'000	Year to date ended 30.09.2022 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	97	290
Depreciation of property, plant and equipment	7,563	23,105
Depreciation of right-of-use assets	719	2,082
Gain on foreign exchange:		
- Realised	(578)	(1,281)
- Unrealised	(1,294)	(3,075)
Interest expense	150	437
Interest on lease liabilities	5	16
Interest income	(133)	(318)
Gain on disposal of property, plant and equipment	(166)	(238)
Inventories written back	(245)	(221)
Property, plant and equipment written off	9	16
Loss on foreign exchange:		
- Unrealised	33	932
Provision for employment benefit obligation	25	66
Rental income from investment properties	(210)	(623)
Reversal of impairment losses on Trade Receivables	(116)	(1)

By Order of the Board

WONG YOUN KIM
SecretaryKuala Lumpur
23 November 2022