



NEW HOONG FATT HOLDINGS BERHAD

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UNAUDITED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 31.12.2022	Quarter ended 31.12.2021	Year to date ended 31.12.2022	Year to date ended 31.12.2021
		RM'000	RM'000	RM'000	RM'000
Revenue		67,162	83,047	290,364	244,225
Cost of sales		(53,326)	(66,278)	(255,302)	(191,392)
Gross profit		13,836	16,769	65,062	52,833
Other operating income		5,076	15,114	36,177	33,139
Net (loss)/gain on impairment of financial instruments		(602)	161	(601)	163
Operating expenses		(17,838)	(19,979)	(66,943)	(60,518)
Finance costs		(37)	(142)	(490)	(515)
Profit before tax		435	11,923	33,205	25,102
Tax expense	19	(16)	(4,146)	(6,506)	(5,518)
Net profit for the period		419	7,777	26,699	19,584
Other comprehensive (loss)/income:					
Foreign currency translations, net of tax		(261)	(92)	5	(198)
Revaluation surplus on land and buildings, net of tax		1,094	9,627	1,094	9,627
Remeasurement of employment benefit obligations		9	50	9	50
Total comprehensive income for the period		1,261	17,362	27,807	29,063
Profit attributable to owners of the parent		419	7,777	26,699	19,584
Total comprehensive income attributable to owners of the parent		1,261	17,362	27,807	29,063
Earnings per share attributable to owners of the parent	25				
Basic (sen)		0.51	9.41	32.30	23.69
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 31.12.2022 RM'000 (Unaudited)	As at 31.12.2021 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment		332,683	328,543
Right-of-use assets		62,431	61,952
Investment properties		24,100	23,470
Other investments		130	130
Intangible asset		644	1,020
Deferred tax asset		378	477
		420,366	415,592
Current Assets			
Inventories		62,411	67,927
Trade receivables		46,595	56,082
Other receivables, deposits & prepayments		2,100	10,995
Current tax assets		1,957	2,096
Cash and bank balances		62,223	54,562
		175,286	191,662
Total Assets		595,652	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		139,866	138,772
Exchange translation reserve		(724)	(729)
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		287,621	268,353
		426,810	406,443
Total Equity		509,482	489,115
Non-Current Liabilities			
Employment benefit obligation		206	330
Lease liabilities		21	372
Deferred tax liabilities		59,208	49,122
		59,435	49,824
Current Liabilities			
Trade payables		8,764	9,748
Other payables & accruals		14,197	20,418
Borrowings (interest bearing)	21	2,552	37,219
Lease liabilities		441	450
Current tax liabilities		643	434
Contract liabilities		138	46
		26,735	68,315
Total Liabilities		86,170	118,139
Total Equity and Liabilities		595,652	607,254
Net assets per share attributable to owners of the parent (RM)		6.16	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 31.12.2022 RM'000	Year to date ended 31.12.2021 RM'000
Cash Flows From Operating Activities		
Profit before tax	33,205	25,102
Adjustments for:-		
Amortisation and depreciation	30,812	32,838
Depreciation of right-of-use assets	1,942	1,798
Bad debts written off	-	5
Interest income	(500)	(285)
Interest expense	471	484
Interest on lease liabilities	19	31
Inventories written (back)/down	(387)	190
Fair value gain on investment properties	(630)	(1,470)
Net gain on disposal of property, plant and equipment	(248)	(802)
Property, plant & equipment written off	16	14
(Reversal)/Provision for employment benefit obligation	(65)	24
Provision/(Reversal) of impairment losses on trade receivables	601	(163)
Unrealised loss/(gain) on foreign exchange differences	1,744	(1,272)
Operating profit before changes in working capital	66,980	56,494
Net change in current assets	21,658	(27,191)
Net change in current liabilities	(7,645)	6,227
Tax paid	(5,146)	(3,304)
Net cash from operating activities	75,847	32,226
Cash Flows From Investing Activities		
Interest received	500	285
Proceeds from disposal of property, plant and equipment	299	850
Purchase of property, plant and equipment	(26,483)	(15,004)
Purchase of intangible asset	(11)	(1,141)
Net cash used in investing activities	(25,695)	(15,010)
Cash Flows From Financing Activities		
Interest paid	(471)	(484)
Net (repayment)/drawdown of bank borrowings	(34,625)	13,670
Repayment of lease liabilities	(535)	(587)
Dividends paid	(7,440)	(6,614)
Net cash (used in)/from financing activities	(43,071)	5,985

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year to date ended 31.12.2022 RM'000	Year to date ended 31.12.2021 RM'000
Net increase in cash and cash equivalents	7,081	23,201
Effects of exchange rate fluctuations on cash & cash equivalents	580	509
Cash and cash equivalents at beginning of the financial period	54,562	30,852
Cash and cash equivalents at end of the financial period	62,223	54,562
Cash and cash equivalents comprise of:		
Cash and bank balances	47,219	51,536
Short term placements	15,004	3,026
	62,223	54,562

(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	-	-	-	-	19,584	19,584
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 income/(loss)	-	9,627	-	(198)	19,634	29,063
Dividend paid					(6,614)	(6,614)
As at 31 December 2021	82,672	138,772	47	(729)	268,353	489,115
As at 1 January 2022	82,672	138,772	47	(729)	268,353	489,115
Profit for the financial period	-	-	-	-	26,699	26,699
Foreign currency translations, net of tax	-	-	-	5	-	5
Remeasurement of employment benefit obligation	-	-	-	-	9	9
Revaluation surplus on land and buildings, net of tax	-	1,094	-	-	-	1,094
Total comprehensive income	-	1,094	-	-	26,708	27,807
Dividend paid					(7,440)	(7,440)
As at 31 December 2022	82,672	139,866	47	(724)	287,621	509,482

(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”) 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
Amendments to MFRS 17 <i>Initial application of MFRS 17 and MFRS 9 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 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Non Current Liability with Covenants</i>	1 January 2024
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 31.12.2022 RM'000	Year to date ended 31.12.2022 RM'000
A final single tier dividend of 6 sen per ordinary share declared for financial year ended 2021, paid on 22 July 2022.	-	4,960
Interim single tier dividend of 3 sen per ordinary share declared for financial year ended 2022, paid on 23 December 2022.	2,480	2,480
Total single-tier dividends paid	2,480	7,440

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	38,660	41,611	162,368	130,377
- ASEAN	11,622	15,102	52,009	44,451
- Non-ASEAN	16,880	26,334	75,987	69,397
Total Segment Revenue	67,162	83,047	290,364	244,225

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

By Geographical Segment	Quarter ended		Year to date ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	10,756	5,946	26,881	16,755
- ASEAN	-	18	28	39
- Non-ASEAN	1	-	4	-
Total Segment Capital Expenditure	10,757	5,964	26,913	16,794

By Geographical Segment	As at 31.12.2022	As at 31.12.2021
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	369,774	364,610
- ASEAN	50,238	50,583
- Non-ASEAN	354	399
Total Segment Non-Current Assets	420,366	415,592

10 Valuation of Property, Plant and Equipment and Investment Properties

Revaluations dated 31 December 2022 had been conducted by two (2) independent professional valuers, First Pacific Valuers Property Consultants Sdn Bhd in Malaysia and KJPP Andreas Parlindungan Siregar in Indonesia on the Group's Properties, Right-of-use Assets and Investment Properties (freehold land and building, long term leasehold land and building) by reference to the open market value based on existing use basis and cost approach method, respectively. The purpose of the revaluation exercise was to ascertain the fair value of the assets for accounting purposes in accordance with the Malaysian Financial Reporting Standards 116 and 140.

10 Valuation of Property, Plant and Equipment and Investment Properties (continued)

Accordingly, a revaluation surplus of RM10.9 million had been incorporated into the Group's Financial Statements for the financial year ended 31 December 2022. The revaluation surplus of RM0.6 million for the Investment Properties was recognised in the Retained Earnings. The revaluation surplus on Properties and Right-of-use Assets was recognised in the Statement of Financial Position as Revaluation Reserve amounting to RM10.3 million. After accounting for deferred tax of RM9.2 million, the net revaluation surplus is RM1.1 million. Out of the RM9.2 million of deferred tax, RM7.5 million represents under-provision in prior years. As a result, the consolidated net assets value per share of the Group increased by RM0.02 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 31.12.2022 RM'000	As at 31.12.2021 RM'000
Corporate guarantees given to banks and vendors for credit facilities granted to subsidiaries	9,551	48,643

The contingent liabilities of the Group were as follows:

	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
Bank guarantees given to vendors	4,511	4,758

14 Capital commitments

	As at 31.12.2022 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	6,734
Approved but not contracted for	18,470

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 2021”), revenue for the current quarter under review (“4Q 2022”) was lower by RM15.8 million from RM83.0 million in 4Q 2021 to RM67.2 million in 4Q 2022, mainly due to the softer demand in the export markets.

Profit Before Tax (“PBT”) decreased by RM11.5 million from RM11.9 million in 4Q 2021 to RM0.4 million in 4Q 2022, mainly due to lower revenue, higher manufacturing costs and foreign exchange loss.

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

The Group recorded RM46.2 million or 18.9% increase in revenue from RM244.2 million in YTD 4Q 2021 to RM290.4 million in YTD 4Q 2022. The higher revenue was partly due to higher selling prices and higher foreign exchange rate for exports in YTD 2022 and also due to Full Movement Control Order in Malaysia as a result of COVID-19 pandemic from June 2021 to mid-August 2021.

PBT had increased by RM8.1 million from RM25.1 million in YTD 4Q 2021 to RM33.2 million in YTD 4Q 2022. The increase was mainly due to higher revenue.

16 Variation of results against preceding quarter

Compared to preceding quarter (“3Q 2022”), revenue has decreased by RM9.9 million from RM77.1 million in 3Q 2022 to RM67.2 million in 4Q 2022 as a result of a softer demand both locally and abroad.

PBT in 4Q 2022 decreased by RM11.3 million or 96.6% from RM11.7 million in 3Q 2022 to RM0.4 million in 4Q 2022 mainly due to decreased in revenue and foreign exchange loss.

17 Future Prospects

The global economic environment in 2023 remains challenging, mainly due to escalating geopolitical tensions and continued tightening monetary policy. The US Federal Reserve’s strategy of maintaining high interest rates to slow inflation would lead to tighter monetary policies, thereby weighing on economic activity.

On the domestic front, the Malaysian economy is expected to continue to expand, driven by robust consumer spending, further improvement in tourism-related activities, and the revival of infrastructural projects. Domestic demand should therefore continue to be strong, although inflationary pressure may dampen consumer spending.

17 Future Prospects (continued)

Meanwhile, lower manufacturing costs, along with normalised logistics and easing supply chain disruptions bode well for NHF. In addition, the improved labour supply provides further support for the Group's operational efficiencies. Stronger ringgit against the US dollar however, puts the Group's exports in an unfavourable position with lower export value in ringgit terms which impact profitability. Moreover, due to tighter monetary conditions in many economies and shifting international trade patterns, the Group expects softer export demand in the first half of 2023.

Despite the fact that pricing pressure from competitors will continue to be intense given the prevailing volatile economic climate, the Group is cautiously optimistic that market demand for the Group's products will remain firm, driven by the growing car population on the road each year and the rising middle-income class, particularly in the ASEAN region. This will be further supported by improved access to inter- and intra-regional trade through free trade agreements and closer economic partnerships, such as the Regional Comprehensive Economic Partnership (RCEP).

Moving forward into 2023, the Group will sharpen its focus on cost controls and operational efficiencies. Building on the resiliency established during the pandemic years, the Group will continue to pursue a consolidation strategy to strengthen its current foundation for growing the business sustainably. The acceleration of its digital transformation agenda as well as better customer and product portfolio management provide an avenue to grow its profit and market share. Barring any unforeseen circumstances, the Group expects the financial performance for 2023 to be satisfactory.

18 Profit forecast

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

19 Tax expense

	Quarter ended 31.12.2022 RM'000	Year to date ended 31.12.2022 RM'000
Current tax expense	407	5,494
Deferred tax	(391)	1,012
	<u>16</u>	<u>6,506</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 and Green Investment Tax Allowance in the quarter.

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 31.12.2022 RM'000	As at 31.12.2021 RM'000
Current liabilities		
<i>Unsecured:-</i>		
Bankers' acceptance	2,552	20,861
Foreign currency trade loan	-	10,932
Revolving credit	-	5,426
	<hr/>	<hr/>
Total borrowings	2,552	37,219
	<hr/> <hr/>	<hr/> <hr/>

	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
Total borrowings		
Bankers' acceptances	2,552	20,861
Foreign currency trade loan	-	10,932
Revolving credit	-	5,426
	<hr/>	<hr/>
	2,552	37,219
	<hr/> <hr/>	<hr/> <hr/>

The currency exposure profile of borrowings is as follows:

	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
Ringgit Malaysia	2,552	20,861
US Dollar	-	16,358
	<hr/>	<hr/>
	2,552	37,219
	<hr/> <hr/>	<hr/> <hr/>

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 10 sen per ordinary share in respect of the financial year ending 31 December 2022 amounting to RM8,267,226.00 (2021: final single tier dividend of 6 sen per ordinary share, RM4,960,335.60).

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> 31.12.2022	<u>Quarter ended</u> 31.12.2021	<u>Year to date ended</u> 31.12.2022	<u>Year to date ended</u> 31.12.2021
Net profit attributable to owners of the parent (RM'000)	419	7,777	26,699	19,584
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)	0.51	9.41	32.30	23.69

26 Profit before tax

	Quarter ended 31.12.2022 RM'000	Year to date ended 31.12.2022 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	97	387
Depreciation of property, plant and equipment	7,326	30,425
Depreciation of right-of-use assets	505	1,942
Fair value gain on investment properties	(630)	(630)
Gain on foreign exchange:		
- Realised	(126)	(1,407)
- Unrealised	(131)	(3,206)
Interest expense	34	471
Interest on lease liabilities	3	19
Interest income	(182)	(500)
Gain on disposal of property, plant and equipment	(10)	(248)
Inventories written back	(166)	(387)
Property, plant and equipment written off	-	16
Loss on foreign exchange:		
- Realised	1,023	1,023
- Unrealised	4,018	4,950
Reversal of employment benefit obligation	(131)	(65)
Rental income from investment properties	(210)	(833)
Provision for impairment losses on Trade Receivables	602	601

By Order of the Board

WONG YOUN KIM
SecretaryKuala Lumpur
27 February 2023