



NEW HOONG FATT HOLDINGS BERHAD

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UNAUDITED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2023

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended 30.06.2023	Quarter ended 30.06.2022	Year to date ended 30.06.2023	Year to date ended 30.06.2022
		RM'000	RM'000	RM'000	RM'000
Revenue		69,979	75,424	142,684	146,088
Cost of sales		(49,677)	(58,003)	(101,333)	(112,705)
Gross profit		20,302	17,421	41,351	33,383
Other operating income		9,189	10,362	17,166	20,887
Net gain/(loss) on impairment of financial instruments		146	(128)	717	(115)
Operating expenses		(12,433)	(16,459)	(25,508)	(32,824)
Finance costs		(1)	(140)	(17)	(298)
Profit before tax		17,203	11,056	33,709	21,033
Tax expense	19	(2,078)	(2,264)	(2,972)	(4,037)
Net profit for the period		15,125	8,792	30,737	16,996
Other comprehensive gain/(loss):					
Foreign currency translations, net of tax		633	(3)	900	(36)
Total comprehensive income for the period		15,758	8,789	31,637	16,960
Profit attributable to owners of the parent		15,125	8,792	30,737	16,996
Total comprehensive income attributable to owners of the parent		15,758	8,789	31,637	16,960
Earnings per share attributable to owners of the parent	25				
Basic (sen)		18.30	10.64	37.18	20.56
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 2022)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.06.2023 RM'000 (Unaudited)	As at 31.12.2022 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment		323,356	332,683
Right-of-use assets		65,264	62,431
Investment properties		24,100	24,100
Other investments		130	130
Intangible asset		466	644
Deferred tax asset		384	378
		413,700	420,366
Current Assets			
Inventories		58,215	62,411
Trade receivables		50,594	46,595
Other receivables, deposits and prepayments		6,377	2,100
Current tax assets		1,453	1,957
Cash and bank balances		92,051	62,223
		208,690	175,286
Total Assets		622,390	595,652
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	139,866
Exchange translation reserve		176	(724)
Fair value reserve		47	47
<u>Distributable:</u>			
Retained earnings		318,358	287,621
		458,447	426,810
Total Equity		541,119	509,482
Non-Current Liabilities			
Employment benefit obligation		256	206
Lease liabilities		12	21
Deferred tax liabilities		58,280	59,208
		58,548	59,435
Current Liabilities			
Trade payables		11,510	8,764
Other payables and accruals		9,575	14,197
Borrowings (interest bearing)	21	-	2,552
Lease liabilities		159	441
Current tax liabilities		1,336	643
Contract liabilities		143	138
		22,723	26,735
Total Liabilities		81,271	86,170
Total Equity and Liabilities		622,390	595,652
Net assets per share attributable to owners of the parent (RM)		6.55	6.16

(The Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2022)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year to date ended 30.06.2023 RM'000	Year to date ended 30.06.2022 RM'000
Cash Flows From Operating Activities		
Profit before tax	33,709	21,033
Adjustments for:-		
Amortisation and depreciation	15,423	15,735
Depreciation of right-of-use assets	994	1,363
Interest income	(689)	(185)
Interest expense	13	287
Interest on lease liabilities	4	11
Inventories written (back)/down	(55)	24
Net gain on disposal of property, plant and equipment	(3)	(72)
Property, plant and equipment written off	1	7
Provision for employment benefit obligation	26	41
(Reversal)/Provision of impairment losses on trade receivables	(716)	115
Unrealised gain on foreign exchange differences	(5,070)	(881)
(Gain)/Loss on lease modification	(10)	157
Operating profit before changes in working capital	43,627	37,635
Net change in current assets	3,485	2,769
Net change in current liabilities	(3,322)	(11,641)
Tax paid	(2,694)	(1,548)
Net cash from operating activities	41,096	27,215
Cash Flows From Investing Activities		
Interest received	689	185
Proceeds from disposal of property, plant and equipment	6	97
Purchase of property, plant and equipment	(10,460)	(11,630)
Purchase of intangible asset	(14)	-
Net cash used in investing activities	(9,779)	(11,348)
Cash Flows From Financing Activities		
Interest paid	(13)	(287)
Net repayment of bank borrowings	(2,552)	(13,480)
Repayment of lease liabilities	(330)	(345)
Net cash used in financing activities	(2,895)	(14,112)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year to date ended 30.06.2023 RM'000	Year to date ended 30.06.2022 RM'000
Net increase in cash and cash equivalents	28,422	1,755
Effects of exchange rate fluctuations on cash and cash equivalents	1,406	431
Cash and cash equivalents at beginning of the financial period	62,223	54,562
Cash and cash equivalents at end of the financial period	92,051	56,748
Cash and cash equivalents comprise of:		
Cash and bank balances	65,916	53,693
Short term placements	26,135	3,055
	92,051	56,748

(The Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2022)

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 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
As at 1 January 2023	82,672	139,866	47	(724)	287,621	509,482
Profit for the financial period	-	-	-	-	30,737	30,737
Foreign currency translations, net of tax	-	-	-	900	-	900
Total comprehensive income	-	-	-	900	30,737	31,637
As at 30 June 2023	82,672	139,866	47	176	318,358	541,119

(The Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2022)

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 2022.

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 2022, except for the effects of newly issued Malaysian Financial Reporting Standards (“MFRS”) applied during the current financial period:-

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 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</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>International Tax Reform – Pillar Two Model Rules</i>	Immediately/ 1 January 2023

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
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 107 and MFRS 7 <i>Supplier Finance Arrangements</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 2022 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	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
- Malaysia	37,169	42,540	74,944	81,198
- ASEAN	15,051	13,589	29,774	26,118
- Non-ASEAN	17,759	19,295	37,966	38,772
Total Segment Revenue	69,979	75,424	142,684	146,088

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	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
<u>Segment Capital Expenditure</u>				
- Malaysia	6,270	7,726	10,428	11,603
- ASEAN	2	-	33	27
- Non-ASEAN	13	-	13	-
Total Segment Capital Expenditure	6,285	7,726	10,474	11,630

By Geographical Segment	As at	As at
	30.06.2023	31.12.2022
	RM'000	RM'000
<u>Segment Non-Current Assets</u>		
- Malaysia	358,198	368,136
- ASEAN	55,311	51,946
- Non-ASEAN	191	284
Total Segment Non-Current Assets	413,700	420,366

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 30.06.2023 RM'000	As at 31.12.2022 RM'000
Guarantees given to financial institutions in respect of credit facilities granted to certain subsidiaries	<u>12,187</u>	<u>9,433</u>

The contingent liabilities of the Group were as follows:

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Guarantees given to third parties in respect of trade performance of certain subsidiaries	<u>4,531</u>	<u>4,480</u>

14 Capital commitments

	As at 30.06.2023 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>20,416</u>
Approved but not contracted for	<u>21,255</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 2022”), revenue for the current quarter under review (“2Q 2023”) of RM70.0 million was lower by RM5.4 million from RM75.4 million in 2Q 2022, mainly due to lower sales in the local market.

Profit Before Tax (“PBT”) however, increased by RM6.1 million from RM11.1 million in 2Q 2022 to RM17.2 million in 2Q 2023, mainly due to improved margins and gain in foreign exchange. This has resulted in a 72% increase in net profit from RM8.8 million in 2Q 2022 to RM15.1 million in 2Q 2023.

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

The Group recorded a slight reduction in revenue of RM3.4 million from RM146.1 million in YTD 2Q 2022 to RM142.7 million in YTD 2Q 2023 as a result of lower revenue in the local segment which was negated by higher revenue from the export segment.

PBT had increased by RM12.7 million from RM21.0 million in YTD 2Q 2022 to RM33.7 million in YTD 2Q 2023. The increase was mainly due to improved margins and gain in foreign exchange.

16 Variation of results against preceding quarter

Compared to the preceding quarter (“1Q 2023”), revenue decreased slightly by RM2.7 million from RM72.7 million in 1Q 2023 to RM70.0 million in 2Q 2023.

PBT in 2Q 2023 increased by RM0.7 million or 4.2% from RM16.5 million in 1Q 2023 to RM17.2 million in 2Q 2023 mainly due to gain in foreign exchange.

17 Future Prospects

Major economies such as the United States, Europe and China are affected by slower growth, as weaker global demand and previous aggressive interest rate hikes weigh down on business activities and household consumption.

Malaysia’s economy is projected to grow moderately in second half of 2023 supported by resilient domestic demand amid improving employment and income.

The Group will strive to strengthen its positive performance momentum by applying prudent cost management, operational efficiencies and competitive pricing without compromising on product quality. Barring any unforeseen circumstances, the Group anticipates its 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 30.06.2023 RM'000	Year to date ended 30.06.2023 RM'000
Current tax expense	1,858	3,893
Deferred tax	220	(921)
	<u>2,078</u>	<u>2,972</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 30.06.2023 RM'000	As at 31.12.2022 RM'000
Current liabilities		
<i>Unsecured:-</i>		
Bankers' acceptance	-	2,552
Total borrowings	<u>-</u>	<u>2,552</u>

All borrowings were denominated in Ringgit Malaysia.

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 2023.

25 Earnings per share

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Quarter ended</u> 30.06.2023	<u>Quarter ended</u> 30.06.2022	<u>Year to date ended</u> 30.06.2023	<u>Year to date ended</u> 30.06.2022
Net profit attributable to owners of the parent (RM'000)	15,125	8,792	30,737	16,996
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)	18.30	10.64	37.18	20.56

26 Profit before tax

	Quarter ended 30.06.2023 RM'000	Year to date ended 30.06.2023 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible asset	97	193
Depreciation of property, plant and equipment	7,479	15,230
Depreciation of right-of-use assets	504	994
Gain on foreign exchange:		
- Realised	(692)	(1,366)
- Unrealised	(3,499)	(6,137)
Interest expense	-	13
Interest on lease liabilities	1	4
Interest income	(390)	(689)
Gain on disposal of property, plant and equipment	-	(3)
Inventories written down/(back)	18	(55)
Property, plant and equipment written off	1	1
Loss on foreign exchange:		
- Realised	-	417
- Unrealised	-	1,067
Provision for employment benefit obligation	13	26
Rental income from investment properties	(210)	(420)
Provision of impairment losses on Trade Receivables	(146)	(716)

By Order of the Board

WONG YOUN KIM
SecretaryKuala Lumpur
28 August 2023