

# chairman's MESSAGE

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**Dear Shareholders,**

On behalf of the Board of Directors, I am pleased to present the Annual Report of New Hoong Fatt Holdings Berhad for the financial year ended 31 December 2003. ”

## INDUSTRY REVIEW

The year 2003 proved to be a challenging one for the automotive industry. Motor vehicle sales for the year fell by 6.9% to 405,010 units, from 434,954 units in 2002. The decline was mainly attributable to the Severe Acute Respiratory Syndrome (“SARS”) outbreak and buyers holding back on purchases in anticipation of lower prices post-AFTA. Effective 1 January 2004, following the announcement on the new tariff structure, the Malaysian Automotive Association remains upbeat about the industry and expects a 5% increase in motor vehicle sales in 2004, to 425,000 units. This will increase further the available market for automotive replacement parts.

## FINANCIAL REVIEW

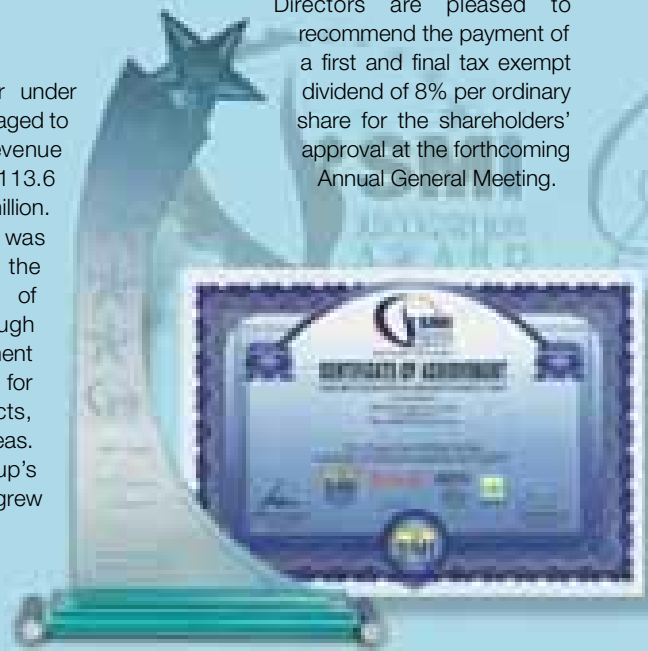
For the financial year under review, the Group managed to increase its total revenue by 12.4% from RM113.6 million to RM127.7 million. The higher revenue was principally due to the Group's enlargement of product variety through new product development and increased demand for the Group's products, both locally and overseas. However, the Group's profit before taxation grew

at a lower rate of 1.7% from RM19.7 million previously to RM20.0 million this financial year, due mainly to costs increase.

Profit after taxation increased by 5.1% from RM15.0 million previously to RM15.8 million this year. As a result, earnings per share increased from 20.9 sen previously to 21.9 sen for the financial year under review. Net tangible assets per share as at 31 December 2003 increased to RM1.81 from RM1.67 previously.

## DIVIDEND

In view of the financial performance of the Group for the financial year ended 31 December 2003, the Directors are pleased to recommend the payment of a first and final tax exempt dividend of 8% per ordinary share for the shareholders' approval at the forthcoming Annual General Meeting.





Programming for 3-D Laser Machine



3-D Laser Cutting & Welding Machine

## BUSINESS REVIEW

During the year, against a backdrop of challenging economic environment, the Group had continued to focus attention on achieving greater operational efficiency, coupled with measures to contain costs while maintaining our commitment to provide customer satisfaction.

On the export scene, New Hoong Fatt concentrated its marketing efforts to focus on aggressively driving its products into global markets, particularly to countries in ASEAN, Middle East, South Africa and South America, resulting in a marked increase in export revenue for the financial year under review.

I am pleased to report that this year, the Group had embarked on a comprehensive exercise in strategic planning, including developing focussed corporate, strategic and business plans, followed by the implementation and deployment of the strategic plan and finally measuring and evaluating the results thereto. Strategic management is a continuous process, which is dynamic in nature. With this process, we hope that it will transform the Group's leaders to become strategic thinkers and leaders, who will strive towards a common vision and mission.

## FUTURE PROSPECTS

For the ensuing year, in a post-AFTA era, the New Hoong Fatt Group will continue to strive to meet the competitive market by further widening product range, while simultaneously exploring opportunities in synergistic collaborations. The Group will continue to leverage on its established brand name, recognised product quality, efficient service and established network to strengthen its local market position and to broaden its global market share.

New Hoong Fatt is committed to making further efforts to reduce cost and participate in efficiency improvement exercises to remain profitable in a challenging global market.

## CORPORATE DEVELOPMENT

On 25 February 2004, New Hoong Fatt announced a proposal to acquire the entire issued and paid up share capital of Hoeken Industrial Sdn Bhd for a cash consideration of RM56,573,000, and NS Plastic Industries Sdn Bhd for a cash consideration of RM3,712,000. As these companies manufacture automotive replacement parts, these proposed acquisitions are aligned with the Group's objective of expanding within the sphere of its core business to ensure the Group's continuous growth.

These acquisitions are related party transactions which are subject to shareholders' approval at the forthcoming Extraordinary General Meeting. Details of the proposed acquisitions and the Independent Advice Letter are set out in the Circular to Shareholders dated 26 April 2004.

## AWARD AND ACHIEVEMENT

I am pleased to announce that New Hoong Fatt was awarded the SMI-Canon Achievers' Award 2003. This Award marks a strong recognition of the success of New Hoong Fatt Group from a small enterprise to a public listed company, and thereafter, continuing to register good financial results year after year and showing strong resilience amidst economic fluctuations.

During the year, the Group's manufacturing division successfully upgraded its ISO 9002 certification to the latest standards, that is, ISO 9001 (2000 version).

## SPECIAL THANKS

I would like to thank our shareholders and suppliers for their faith in us, the authorities, customers and financiers for their support and assistance, and members of the Board of Directors for contributing their skills and wise counsel to the Group.

The management and employees of New Hoong Fatt deserve special mention for their hard work and dedication throughout the year.

**KAM LANG FATT @  
KIM LENG FATT**

Chairman cum Managing Director

