



# **HENG HUAT RESOURCES GROUP BERHAD**

(Company No. 969678-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

## **INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2015**

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
(UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2015 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 30.6.2014 RM'000	Current Year Period 30.6.2015 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 30.6.2014 RM'000
Revenue	26,569	24,058	53,029	45,377
Cost of sales	(13,661)	(13,614)	(29,546)	(25,280)
Gross profit ("GP")	12,908	10,444	23,483	20,097
Other income	181	72	403	160
Selling and distribution expenses	(4,375)	(4,384)	(8,707)	(8,259)
Administrative and other expenses	(2,102)	(1,919)	(4,416)	(3,463)
Finance costs	(420)	(553)	(803)	(1,125)
Profit before taxation ("PBT")	6,192	3,660	9,960	7,410
Tax income/ (expenses)	(231)	(436)	(480)	(906)
<b>Profit after taxation ("PAT")</b>	<b>5,961</b>	<b>3,224</b>	<b>9,480</b>	<b>6,504</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>5,961</b>	<b>3,224</b>	<b>9,480</b>	<b>6,504</b>
<b>Profit for the financial period/ Total comprehensive income attributable to:</b>				
- Owners of Heng Huat	5,035	2,687	7,951	5,724
- Non-controlling interests	926	537	1,529	780
	<b>5,961</b>	<b>3,224</b>	<b>9,480</b>	<b>6,504</b>
<b>Earnings per share attributable to owners of Heng Huat:</b>				
- Basic (sen) <sup>(2)</sup>	2.45	1.69	3.86	3.59
- Diluted (sen) <sup>(2)</sup>	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable.

<sup>(1)</sup> The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

<sup>(2)</sup> Kindly refer to **Note B10** for further details.



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

	As at 30.6.2015 <sup>(1)</sup> RM'000 (unaudited)	As at 31.12.2014 RM'000 (audited)
<b>Non-Current Assets</b>		
Property, plant and equipment	64,164	62,292
Intangible assets	970	1,145
	65,134	63,437
<b>Current Assets</b>		
Inventories	5,816	5,890
Trade and other receivables	30,080	21,570
Current tax assets	427	452
Cash and cash equivalents	15,992	17,666
	52,315	45,578
<b>TOTAL ASSETS</b>	<b>117,449</b>	<b>109,015</b>
<b>Equity</b>		
Share capital	20,580	20,580
Share premium	15,863	15,863
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	43,802	36,880
	75,060	68,138
Non-controlling interests	5,323	4,594
<b>Total Equity</b>	<b>80,383</b>	<b>72,732</b>
<b>Non-Current Liabilities</b>		
Borrowings	10,466	15,494
Deferred tax liabilities	771	682
	11,237	16,176
<b>Current Liabilities</b>		
Trade and other payables	11,764	10,447
Derivative liability	214	214
Borrowings	13,851	9,435
Current tax liabilities	-	11
	25,829	20,107
<b>Total Liabilities</b>	<b>37,066</b>	<b>36,283</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>117,449</b>	<b>109,015</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.36 <sup>(2)</sup></b>	<b>0.33 <sup>(3)</sup></b>

Notes:

<sup>(1)</sup> The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

<sup>(2)</sup> Calculated based on the Company's existing issued and paid-up share capital for the financial period ended 30 June 2015 of 205,800,030 ordinary shares of RM0.10 each ("Shares").

<sup>(3)</sup> Calculated based on the Company's existing issued and paid-up share capital for the financial year ended 31 December 2014 of 205,800,030 Shares.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

	[----- Non-Distributable -----]			Distributable	Total attributable to owners of the Company	Non- controlling interests	Total equity
	Share capital RM'000	Share premium RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	RM'000	RM'000	RM'000
At 1 January 2015	20,580	15,863	(5,185)	36,880	<b>68,138</b>	4,594	<b>72,732</b>
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(800)	<b>(800)</b>
Dividend paid to shareholders of the parent	-	-	-	(1,029)	<b>(1,029)</b>	-	<b>(1,029)</b>
Total comprehensive income for the financial period	-	-	-	7,951	<b>7,951</b>	1,529	<b>9,480</b>
At 30 June 2015	<b>20,580</b>	<b>15,863</b>	<b>(5,185)</b>	<b>43,802</b>	<b>75,060</b>	<b>5,323</b>	<b>80,383</b>
At 1 January 2014	15,930	-	(5,185)	26,601	<b>37,346</b>	2,502	<b>39,848</b>
Total comprehensive income for the financial period	-	-	-	5,724	<b>5,724</b>	780	<b>6,504</b>
At 30 June 2014	<b>15,930</b>	<b>-</b>	<b>(5,185)</b>	<b>32,325</b>	<b>43,070</b>	<b>3,282</b>	<b>46,352</b>

*Note:*

*The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.*



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

	Year-to-date ended	
	30.6.2015 RM'000	30.6.2014 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	9,960	7,410
<u>Adjustments for:</u>		
Amortisation of intangible assets	175	28
Bad debts written off	64	-
Depreciation of property, plant and equipment	3,510	2,780
Interest expense	803	1,125
Interest income	(77)	(13)
Loss/ (Gain) on disposal of property, plant and equipment	47	(37)
Unrealised gain on foreign exchange	(117)	-
	14,365	11,293
Operating profit before working capital changes		
Decrease/(Increase) in inventories	74	(1,190)
Increase in trade and other receivables	(8,522)	(2,021)
Increase in trade and other payables	1,722	161
	7,689	8,243
Tax paid	(377)	(580)
<b>Net cash from operating activities</b>	<b>7,312</b>	<b>7,663</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development costs incurred	-	(449)
Interest received	77	13
Proceeds from disposal of property, plant and equipment	149	108
Purchase of property, plant and equipment	(4,537)	(4,725)
Changes in fixed deposits pledged with licensed banks	(17)	(26)
	(4,328)	(5,079)
<b>Net cash used in investing activities</b>	<b>(4,328)</b>	<b>(5,079)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling shareholders of a subsidiary	(800)	-
Dividend paid to shareholders of the parent	(1,029)	-
Interest paid	(803)	(1,125)
Net drawdown of bankers' acceptance	4,566	863
Repayment of term loans	(4,844)	(1,274)
Net repayment of hire purchase payables	(1,668)	(672)
	(4,578)	(2,208)
<b>Net cash used in financing activities</b>	<b>(4,578)</b>	<b>(2,208)</b>
Net changes in cash and cash equivalents	(1,594)	376
Effects of foreign exchange	65	-
Cash and cash equivalents at beginning of the financial period	15,213	2,183
<b>Cash and cash equivalents at end of the financial period</b>	<b>13,684</b>	<b>2,559</b>



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**  
**(UNAUDITED)**

	Year-to-date ended	
	30.6.2015 <sup>(1)</sup>	30.6.2014
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	13,764	4,095
Fixed deposits pledged to financial institutions	2,228	2,150
	<hr/>	<hr/>
	15,992	6,245
Less: Bank overdraft	(80)	(1,536)
Less: Fixed deposits pledged to financial institutions	(2,228)	(2,150)
	<hr/>	<hr/>
	<b>13,684</b>	<b>2,559</b>
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*Note:*

*The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.*

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## EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

### A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Part K, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“ACE LR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2014.

### A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2014, except for the adoption of the following Amendments to MFRSs during the current financial period as disclosed below:

#### Effective for annual periods commencing on or after 1 July 2014

- Amendment to MFRS 2 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 8 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 13 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 116 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)
- Amendment to MFRS 124 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 138 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 140 (Annual Improvements to MFRSs 2011 – 2013 Cycle)

The adoption of the above Amendments to MFRSs did not have any significant financial impact to the Group.



## A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 7 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- MFRS 14 Regulatory Deferral Accounts
- Disclosure Initiative (Amendments to MFRS 101)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)
- Amendments to MFRS 119 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- Amendments to MFRS 134 (Annual Improvements to MFRSs 2012 – 2014 Cycle)

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15 Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

## A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 December 2014 were not subject to any qualification.





**A4. SEASONALITY OR CYCLICALITY OF OPERATION**

Save for oil palm empty fruit bunch (“EFB”) fibre, the Group’s biomass materials and value-added products are not significantly affected by seasonal/cyclical effects. Demand for the Group’s oil palm EFB fibre generally experience a decline during the Chinese New Year season mainly due to a slowdown in logistics services in China during this period as some of these logistics services are closed during the festive season.

The Group typically experience higher sales of mattresses and related products prior to major festive season such as Chinese New Year and Hari Raya in tandem with the expected increase in household spending for such items during such periods.

**A5. UNUSUAL ITEMS**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period under review.

**A6. MATERIAL CHANGES IN ESTIMATES**

Not applicable as there were no estimates being reported during the prior financial years.

**A7. DEBTS AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period under review.

**A8. DIVIDEND PAID/ DECLARED**

On 27 January 2015, the Company had declared a first interim single tier dividend of 5% per share at par value (equivalent to 0.5 sen per share) in respect of financial year ending 31 December 2015, amounting to RM1,029,000 which was subsequently paid on 31 March 2015.

The Board of Directors did not recommend any payment of dividend during the current quarter under review.

**A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Save for the Corporate Proposals as disclosed under **Note B6**, there were no other material events subsequent to the end of current quarter and financial period under review that have not been reflected in this interim financial report.

**A10. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current quarter and financial period under review.



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**A11. CHANGES IN CONTINGENT LIABILITIES**

There are no material contingent liabilities as at the date of this report.

**A12. CAPITAL COMMITMENTS**

The Group's capital commitments in respect of property, plant and equipment which were not provided for in the financial statements as at 30 June 2015 is as follows:

	<b>As at 30.6.2015 RM'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	3,200
Contracted but not provided for	11,306
	<hr/>
	14,506
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**A13. SEGMENT INFORMATION**

The Group, through its subsidiaries, are principally engaged in manufacturing and trading of biomass materials and manufacturing and trading of mattresses and related products. There is no change to the principal activities of the Group during the current quarter and financial period under review.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Biomass materials and related products

Manufacturing and trading of coconut fibre and related products, and oil palm EFB fibre and related products.

(ii) Mattresses and related products

Manufacturing and trading of mattresses and related products.



**A13. SEGMENT INFORMATION (cont'd)**

	Current quarter ended		Year-to-date ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Biomass materials and related products	21,814	19,687	41,695	36,412
Mattresses and related products	6,619	9,196	19,267	18,257
	28,433	28,883	60,962	54,669
Elimination of intragroup transactions	(1,864)	(4,825)	(7,933)	(9,292)
<b>Revenue from external customers</b>	<b>26,569</b>	<b>24,058</b>	<b>53,029</b>	<b>45,377</b>
<b><u>Segment Results</u></b>				
Biomass materials and related products	6,360	4,204	9,953	7,714
Mattresses and related products	42	(152)	325	145
	6,402	4,052	10,278	7,859
Unallocated corporate income and expenses (net)	(309)	(415)	(535)	(681)
Elimination of intragroup transactions and profits	99	23	217	232
<b>Profit before tax of the Group</b>	<b>6,192</b>	<b>3,660</b>	<b>9,960</b>	<b>7,410</b>
<b><u>Segment Assets</u></b>				
Biomass materials and related products	100,346	88,065	100,346	88,065
Mattresses and related products	16,950	19,538	16,950	19,538
	117,296	107,603	117,296	107,603
Tax assets	427	384	427	384
Unallocated assets	25,555	2,158	25,555	2,158
Elimination of intragroup balances and profits	(18,529)	(14,833)	(18,529)	(14,833)
<b>Total assets of the Group</b>	<b>124,749</b>	<b>95,312</b>	<b>124,749</b>	<b>95,312</b>
<b><u>Segment Liabilities</u></b>				
Biomass materials and related products	44,340	42,243	44,340	42,243
Mattresses and related products	13,730	16,269	13,730	16,269
	58,070	58,512	58,070	58,512
Tax liabilities	771	1,550	771	1,550
Unallocated liabilities	4,095	3,627	4,095	3,627
Elimination of intragroup balances and profits	(18,570)	(14,729)	(18,570)	(14,729)
<b>Total liabilities of the Group</b>	<b>44,366</b>	<b>48,960</b>	<b>44,366</b>	<b>48,960</b>



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**ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING  
REQUIREMENTS OF BURSA SECURITIES**

**B1. ANALYSIS OF PERFORMANCE**

**Revenue**

For the current quarter ended 30 June 2015, the Group recorded revenue of RM26.57 million, representing an increase of approximately RM2.51 million or 10.43% as compared to the revenue of RM24.06 million registered in the preceding year corresponding quarter.

For the financial period ended 30 June 2015, the Group recorded revenue of RM53.03 million, representing an increase of approximately RM7.65 million or 16.86% as compared to the revenue of RM45.38 million registered in the preceding year corresponding period.

The increase in revenue was mainly contributed by improved revenue from the biomass materials and related products segment by approximately RM1.92 million and RM4.91 million during the current quarter and financial period ended 30 June 2015 respectively, primarily attributable to:

- (i) Improved average selling price of oil palm EFB fibre by approximately 26.8% and 24.4% during the current quarter and financial period under review respectively, as compared to the preceding year corresponding quarter and period; and
- (ii) Additional revenue contribution from Geotextiles, as compared to the preceding year corresponding quarter and period.

**Profit before Taxation (“PBT”)**

For the current quarter ended 30 June 2015, the Group reported PBT of RM6.19 million, representing an increase of approximately RM2.53 million or 69.13% as compared to the PBT of RM3.66 million recorded in the preceding year corresponding quarter.

For the financial period ended 30 June 2015, the Group reported PBT of RM9.96 million, representing an increase of approximately RM2.55 million or 34.41% as compared to the PBT of RM7.41 million recorded in the preceding year corresponding period.

The increase in PBT was primarily attributable to the revenue growth recorded during the current quarter and financial period under review as explained above.



**B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	<b>Current quarter ended 30.6.2015</b>	<b>Preceding quarter ended 31.3.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation ("PBT")	6,192	3,678

The Group's PBT for the current quarter ended 30 June 2015 has improved by approximately RM2.51 million or 68.21%, from RM3.68 million in the preceding quarter ended 31 March 2015 to RM6.19 million in the current quarter under review.

The increase in the Group's PBT for the current quarter ended 30 June 2015, as compared to the preceding quarter ended 31 March 2015, was mainly due to improved gross profit margin recorded during the current quarter under review as a result of increase in average selling price for oil palm EFB fibre and decrease in average purchase cost for EFB supply.

**B3. PROSPECTS**

As disclosed in the Prospectus of the Company dated 30 June 2014, the estimated revenue for biomass materials – coconut fibre and oil palm EFB fibre market in Malaysia stood at RM92.40 million in 2013. By 2018, this is expected to grow to RM180.40 million, representing a compounded annual growth rate of 14.32% over the next five (5) years. Further, the recent banning of new coal-fired plants in Beijing, Shanghai and Guangzhou of China is likely to spur demand for cleaner, alternative source of energy including Briquette (*Source: Independent Market Report by Protégé Associates*).

Based on the above and the consistent demand for the Group's oil palm EFB fibre as well as other value-added biomass products (i.e. Briquette and Geotextiles) to-date, the Board of Directors is of the view that the Group's growth momentum is sustainable for the financial year ending 31 December 2015.

**B4. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable as no profit forecast or profit guarantee has been previously published or issued by the Group.



**B5. TAX EXPENSE**

	<b>Current quarter ended 30.6.2015 RM'000</b>	<b>Year-to-date ended 30.6.2015 RM'000</b>
Current tax expense	207	391
Deferred tax expense	24	89
	231	480
Effective tax rate	- 3.73%	- 4.82%

The effective tax rates for the current quarter and financial period ended 30 June 2015 of 3.73% and 4.82% respectively are lower as compared to the applicable statutory tax rate of 25% mainly due to the pioneer status tax incentives awarded to our operating subsidiaries by Ministry of International Trade and Industry (MITI) in the prior years.

Details of the applicable tax exemption granted to the Group are listed below:

<b>Company</b>	<b>Tax Exemption Period</b>	<b>Exempted Products</b>
HK Fibre Sdn Bhd	Five (5) years, from 1 April 2012 to 31 March 2017	Coconut fibre sheet
HK Kitaran Sdn Bhd	Ten (10) years, from 1 July 2010 to 30 June 2020	Fibre from palm biomass
HK Kitaran Sdn Bhd	Five (5) years, from 1 February 2013 to 31 January 2018	Briquette from palm biomass
HK Palm Fibre Manufacturer Sdn Bhd	Five (5) years, from 24 February 2014 to 23 February 2019	Fibre from palm biomass



## B6. STATUS OF CORPORATE PROPOSALS

### (i) *Acquisition of leasehold industrial land*

On 13 October 2014, the Company had announced that HK Gua Musang Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a conditional sale and purchase agreement with Eleplas Wood Technology Sdn Bhd for the proposed acquisition of a piece of leasehold industrial land measuring 44,461 square meter located at Bandar Gua Musang, Jajahan Gua Musang, Negeri Kelantan for a cash consideration of RM3,670,000 (“**Proposed Acquisition of Leasehold Land**”).

The Proposed Acquisition of Leasehold Land has been completed on 19 August 2015, upon registration of the land title in the name of HK Gua Musang Sdn Bhd and settlement of all the outstanding purchase consideration.

### (ii) *Proposed Bonus Issue, Transfer of Listing and Amendments to Articles of Association*

On 11 May 2015, on behalf of Board of Directors of the Company (“**the Board**”), Kenanga Investment Bank Berhad (“**Kenanga IB**”) announced that the Company proposed to undertake the following:

- (i) Proposed bonus issue of 102,900,015 new ordinary shares of RM0.10 each in Heng Huat (“Shares”) to be credited as fully paid-up on the basis of one (1) new Share for every two (2) existing Shares held on an entitlement date to be determined later (“**Proposed Bonus Issue**”);
- (ii) Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of Heng Huat from the ACE Market to the Main Market of Bursa Securities (“**Proposed Transfer**”); and
- (iii) Proposed amendments to the Articles of Association of the Company (“**Proposed Amendments**”).

*(Collectively referred to as “the Proposals”)*

The Proposed Transfer is proposed to be implemented upon completion of the Proposed Bonus Issue. The Proposed Transfer and the Proposed Amendments are inter-conditional upon each other.

#### Proposed Bonus Issue

Bursa Securities had vide its letter dated 27 May 2015 granted its conditional approval for the listing of and quotation for the 102,900,015 new Shares to be issued pursuant to the Proposed Bonus Issue.

The Proposals were subsequently approved by the shareholders of the Company in the annual general meeting and extraordinary general meeting held on 25 June 2015.

On 29 June 2015, the Company had announced that the entitlement date for the Proposed Bonus Issue is fixed on 14 July 2015.

The Proposed Bonus Issue has been completed on 15 July 2015, following the listing of and quotation for the 102,900,015 new Shares issued and allotted to the shareholders of the Company on the ACE Market of Bursa Securities.



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**B6. STATUS OF CORPORATE PROPOSALS (cont'd)**

(ii) *Proposed Bonus Issue, Transfer of Listing and Amendments to Articles of Association (cont'd)*

*Proposed Transfer and Proposed Amendments*

As of to-date, the Company is in the midst of preparing the documents for submission to the authorities for the Proposed Transfer. The Proposed Transfer and Proposed Amendments are inter-conditional on each other.

(iii) *Acquisition of biomass co-generation power plant*

On 22 June 2015, the Company had announced that HK Power Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a contract with Advance Boilers Sdn Bhd for the design, supply, delivery to site, installation and commissioning of one (1) unit of 1,077 electrical kilowatts (eKW) biomass co-generation power plant ("Power Plant") for a cash consideration of RM8,810,000 ("**Proposed Acquisition of Power Plant**").

Relevant details on the Proposed Acquisition of Power Plant has been announced to Bursa Securities on the same date.

Barring any unforeseen circumstances and subject to obtaining of the requisite approvals from the relevant authorities, the Proposed Acquisition and the construction of the Power Plant and its construction is expected to be completed by the third quarter of 2016.

Save as disclosed above, there are no other corporate proposals announced but not completed as at the date of this announcement.





## B7. UTILISATION OF PROCEEDS

*Gross Proceeds from public issue of 46,500,000 new Shares in conjunction with the listing of the Company on the ACE Market of Bursa Securities on 25 July 2014*

The status of utilisation, as of 30 June 2015, is as follows:

Purpose	Intended Time Frame for Use (from listing date)	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation	
				Amount RM'000	%
(i) Capital expenditure	Within 36 months	4,000	800	3,200 <sup>(1)</sup>	80.00
(ii) Repayment of borrowings	Within 12 months	9,378	7,538	1,840 <sup>(1)</sup>	19.62
(iii) Working capital	Within 12 months	4,547	4,547	-	-
(iv) Estimated listing expenses	Upon Listing	3,000	3,000	-	-
Total gross proceeds		20,925	15,885	5,040	24.09

Note:

<sup>(1)</sup> These allocated fund are expected to be fully utilised within the stipulated time frame.

## B8. BORROWINGS

The Group's borrowings as at 30 June 2015 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<b><i>Secured and guaranteed</i></b>			
Bankers' acceptance	8,334	-	8,334
Bank overdrafts	80	-	80
Hire purchase payables	3,262	4,335	7,597
Term loans	2,175	6,131	8,306
<b>Total Borrowings</b>	<b>13,851</b>	<b>10,466</b>	<b>24,317</b>

All the borrowings are denominated in Ringgit Malaysia (RM).



## B9. CHANGES IN MATERIAL LITIGATION

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

## B10. EARNINGS PER SHARE

### Basic Earnings per Share ("BEPS")

	Current quarter ended		Year-to-date ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	5,035	2,687	7,951	5,724
Weighted average number of ordinary shares in issue ('000)	205,800	159,300	205,800	159,300
	<b>sen</b>	<b>sen</b>	<b>sen</b>	<b>Sen</b>
BEPS	2.45	1.69	3.86	3.59

### Diluted Earnings per Share ("DEPS")

No diluted earnings per share is disclosed as the Company does not have any dilutive potential ordinary shares (such as options or convertible instruments) in issue as at 30 June 2015.

## B11. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS

The retained earnings of the Group as at 30 June 2015 are analysed as follows:

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000
The retained earnings of the Company and its subsidiaries:		
- Realised	54,515	46,739
- Unrealised	(324)	(132)
	54,191	46,607
Add: Consolidation adjustments	(10,389)	(9,727)
<b>Total Group retained earnings as per consolidated financial statements</b>	<b>43,802</b>	<b>36,880</b>



**B12. DISCLOSURE ON SELECTED EXPENSE/ INCOME ITEMS**

Included in profit before tax comprised the following income / (expense) items:

	<b>Current quarter ended 30.6.2015 RM'000</b>	<b>Year-to-date ended 30.6.2015 RM'000</b>
Interest income	25	77
Other income including investment income	34	154
Interest expense	(420)	(803)
Depreciation expenses	(1,865)	(3,510)
Amortisation expenses	(84)	(175)
Net foreign exchange gain/ (loss)	69	230
Net loss on disposal of property, plant and equipment	-	(47)
Fair value loss on derivatives	181	*
Provision for and write off of receivables	(64)	(64)
Property, plant and equipment written off	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Exceptional items	-	-

\* *Less than RM1,000*



## B13. FINANCIAL INSTRUMENTS

### *Derivatives*

The Group have entered into forward foreign currency contracts to operationally hedge forecast sales collection denominated in foreign currency that are expected to occur at various dates within the next (6) months from the end of the reporting period. As at 30 June 2015, the Group have the following outstanding forward currency contracts:

Maturity Period	[----- Contract Value -----]		Fair value
	USD'000	RM'000 equivalent	as at 30 June 2015 RM'000
- By July 2015	309	1,099	1,030
- By August 2015	340	1,217	1,147
- By September 2015	90	311	282
- By October 2015	300	1,117	1,094
- By November 2015	450	1,694	1,671
-			
	1,489	5,438	5,224

The fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

The difference between the forward rates entered into, and the market rates, is recognised as derivatives liability or asset as applicable with a corresponding amount reported in the profit or loss.

### *Gains / (Losses) arising from Fair Value Changes of Financial Liabilities*

During the current quarter under review, the Group recorded net fair value gain of approximately RM181,000 arising from fair value changes of the forward foreign currency contracts entered into by the Group.

There is no change to the policies in relation to the derivatives since the last financial year ended 31 December 2014.