

**Company Name** : Heng Huat Resources Group Berhad  
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## **Heng Huat On Track For Main Board Transfer As Product Demand Stays Buoyant**

KUCHING: As the pioneer in Malaysia's biomass manufacturing industry, Heng Huat Resources Group Bhd (Heng Huat) is well on its way towards gravitating to the Main Board of Bursa Malaysia despite being just listed six months ago.

This, say researchers at Kenanga Investment Bank Bhd (Kenanga Research), was on the back of upbeat earnings post-listing as well as buoyant demand for palm fibre mats, which is one of Heng Huat's product offerings.

"The rapid route of transfer of listing is not a surprise given that Heng Huat was not far off from the Main Board's listing requirements when they went for listing in the Ace Market last year," explained Kenanga Research in its note yesterday.

"In view of the current profitability trend, management is confident of posting profitability in FY14, which is one of the transfer's requirements."

To note, the group's net profit improved 11 per cent year on year (y-o-y) to RM8.2 million in the first nine months of 2014, on the back of 35 per cent y-o-y increase in revenue and 22 per cent hike in profit before tax.

"This higher turnover was mainly driven by higher demand for oil palm empty fruit bunch fibre, particularly from China and improved average selling prices by circa 21 per cent versus a year ago," explained the team.

Growth of its profit before tax was at a slower pace, Kenanga Research highlighted, compared to its turnover due mainly to non-recurring listing expenses of RM1.87 million; lower margin recorded in its biomass materials and related products segment; and an increase in transportation costs.

Nevertheless, Heng Huat is optimistic for its growth momentum to remain buoyant moving forward underpinned by higher demand of biomass materials as a result of population growth, increasing applications for natural fibre, and rising demand from China.

The recent banning of new coal-fired plants in Beijing, Shanghai, and Guangzhou, is likely to spur demand for cleaner, alternative source of energy, like briquette.

Meanwhile, Heng Huat's palm fibre mat has received overwhelming response and record 100 per cent take-up rate since it was launched, it said.

The group has merely been operating one production line thus far with a production capacity of 100 pieces per month.

Moving forward, management intends to ride with the current strong demand wave and setting-up another production line in 1Q15.

Note that palm fibre mat is a 100 per cent organic fibre from a renewable source, empty fruit bunch (EFB).

It has the right strength and durability to protect slopes from erosion, while allowing vegetation to flourish and absorb excess solar radiation.

Mulching and erosion control are the two main functions of Palm Fibre Mat and thus captured the plantation and construction players' attention since the product was launched.

"Heng Huat highlighted that plantation players could enjoy a production cost saving of more than two times by using the palm fibre mat.

Margin-wise for its earnings before interest and tax, the group is targeting to achieve 30% on the back of higher economic of scale."