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Heng Huat plans to extend its geographical footprint to China

PETALING JAYA: Heng Huat Resources Group Bhd, which aims to raise RM20.93 million proceed from its initial public offering, plans to extend its geographical footprint in China to tap the growing demand for oil palm empty fruit bunch fibre (EFB).

In a statement yesterday, Heng Huat said its export to China has more than doubled in recent years comprising primarily EFB fibre to RM40.7 million in the financial year ended Dec 31, 2013 from RM18.7 million in FY2011.

"It is timely for us to extend our geographical footprint by including China as our expansion strategy. Our success thus far in penetrating the huge Chinese market with our exports says as much the unabated demand for our EFB fibre in the country as it does our product quality," said co-founder and managing director of Heng Huat, H'ng Choon Seng.

"With the planned set up of a subsidiary in China, we hope to not only strengthen our network amongst the industrial users, but also ride ahead the market trends as we cater our innovation initiatives to meet the market demand," he said.

In FY2013, he said Heng Huat's exports to China made up about 55.2% of the Group's revenue of RM73.7 million.

H'ng said the company plans to set up the subsidiary company in the southern region of China by the first quarter of 2015, subject to obtaining the relevant regulatory approvals from the China authorities.

Established since 2007, Heng Huat currently has three oil palm biomass processing facilities in Selama, Kedah, and in Seberang Prai Selatan, Penang, with a 20-line processing capacity of approximately 100,500 metric tonnes of EFB fibre per annum.

He said it also has a coconut biomass processing plant in Bachok, Kelantan, in addition to a production plant in Seberang Prai Selatan, Penang for downstream manufacturing of mattresses and related products.

"With sizable supply of EFB in Malaysia, coupled with our processing capacity, we are positive that our direct presence in China will help in scaling up the group's exports," he added.

Heng Huat, which is slated to be listed on the ACE Market of Bursa Malaysia on July 25, plans to allocate some RM4 million of its RM20.93 proceed for capital expenditure, RM4.55 million for working capital while the remaining RM9.38 million and RM3 million would be allocated for the repayment of bank borrowings and defraying listing expenses respectively.