

Company Name : Heng Huat Resources Group Berhad
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Heng Huat Proposes Acquisition Of Biomass Power Plant For RM8.81m

KUALA LUMPUR (June 22): Heng Huat Resources Group Bhd (Financial Dashboard)'s wholly-owned subsidiary HK Power Sdn Bhd has entered into a contract with Advance Boilers Sdn Bhd, for the construction of a biomass co-generation power plant for RM8.81 million.

According to its filing with the exchange today, the contract entails the design, supply, delivery to site, installation and commissioning of one unit of 1,077 electrical kilowatts (eKW) power plant by the vendor.

The power plant will be installed at Heng Huat's new production factory in Kelantan.

However, in the event the construction of the new factory is delayed or discontinued, the power plant will be installed at its existing factory in Penang.

Heng Huat (fundamental: NA; valuation: NA) is involved in the manufacturing, trading of biomass material and value-added products focusing on oil palm empty fruit bunch fibre, coconut fibre and value-added products.

Advance Boilers is a subsidiary of CB Industrial Product Holding Bhd (Financial Dashboard).

"As disclosed in Heng Huat's prospectus dated June 30, 2014, the proposed acquisition will enable Heng Huat group to move towards zero waste production whereby the wastes produced as by-product of its operation will be utilised to power its production process.

"As compared to existing boiler which produces steam, the proposed power plant will generate electricity from the incineration of short fibre and is estimated to enable the Heng Huat group to achieve further cost savings of up to approximately RM3 million per annum in woodchips, electricity and maintenance and operation costs," said the company.

The company said 20% of the purchase consideration will be funded by internally generated funds, while the balance 80% will be funded by external borrowings.

The proposed acquisition is expected to be completed in the third quarter of 2016.

“As such, the proposed acquisition is not expected to have any effect on the earnings and earnings per share of the Heng Huat group for the financial year ending Dec 31, 2015.

“Nevertheless, the proposed acquisition may contribute positively to the earnings of the Heng Huat group in the future financial years upon commencement of use of the power plant,” said Heng Huat.

Heng Huat closed 1 sen or 1.49% higher at 68 sen, bringing its market capitalisation to RM137.89 million.

(Note: The Edge Research's fundamental score reflects a company's profitability and balance sheet strength, calculated based on historical numbers. The valuation score determines if a stock is attractively valued or not, also based on historical numbers. A score of 3 suggests strong fundamentals and attractive valuations.)